O'BRIEN HOUSE

BATON ROUGE, LOUISIANA

DECEMBER 31, 2019

L.A. CHAMPAGNE & CO.

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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, 2019 and 2018, 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, 2019 and 2018, 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, 2020, on our consideration of O'Brien House and its subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering O'Brien House's internal control over financial reporting and compliance.

L.A. Champagne + Co., LLP

June 30, 2020
Baton Rouge, Louisiana

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Years Ended December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	$ 65,552	$ 341,011
Receivables:		
Grants receivable	347,111	14,495
Program services receivable	9,423	5,265
	356,534	19,760
Prepaid expenses	59,942	52,277
Total current assets	482,028	413,048
PROPERTY AND EQUIPMENT (NET)	1,609,425	1,538,894
OTHER ASSETS		
Receivable from affiliate	97,321	80,362
Loans receivable from affiliate	948,949	876,627
	1,046,270	956,989
Total assets	$ 3,137,723	$ 2,908,931

Continued

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Short-term loan obligations	$ 37,596	$ 43,330
Current portion of long term debt	74,500	73,770
Accounts payable	113,789	58,876
Payroll withholding payable	8,198	2,509
Accrued salaries	50,312	45,532
Accrued compensated absences	36,519	28,934
Client deposits	5,776	4,926
Total current liabilities	326,690	257,877
LONG-TERM LIABILITIES		
Long term debt, net of current maturities	429,201	464,971
NET ASSETS		
Without donor restrictions	2,156,405	1,896,929
With donor restrictions	225,427	289,154
	2,381,832	2,186,083
Total liabilities and net assets	$ 3,137,723	$ 2,908,931

See accompanying notes to financial statements

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Federal contracts and grants	$ 82,754	$ -	$ 82,754	$ 177,347	$ -	$ 177,347
United Way allocation	72,703	-	72,703	73,328	-	73,328
Grants	43,100	40,000	83,100	115,514	75,000	190,514
Contributions	150,066	-	150,066	71,365	-	71,365
Non cash contributions	455,306	-	455,306	481,194	-	481,194
Program services and rent	1,473,526	-	1,473,526	1,465,316	-	1,465,316
Special events	75,301	-	75,301	64,392	-	64,392
Interest income	72,322	-	72,322	66,809	-	66,809
Fee from affiliate	16,959	-	16,959	16,618	-	16,618
Other income	13,501	-	13,501	8,822	-	8,822
	2,455,538	40,000	2,495,538	2,540,705	75,000	2,615,705
Net assets released from restrictions:						
Satisfaction of time and purpose restrictions	103,727	(103,727)	-	31,119	(31,119)	-
	2,559,265	(63,727)	2,495,538	2,571,824	43,881	2,615,705
EXPENSES						
Program expenses	2,103,520	-	2,103,520	2,234,330	-	2,234,330
Management and general expenses	151,221	-	151,221	148,184	-	148,184
Fundraising expenses	45,048	-	45,048	43,997	-	43,997
	2,299,789	-	2,299,789	2,426,511	-	2,426,511
Increase (decrease) in net assets	259,476	(63,727)	195,749	145,313	43,881	189,194
Net assets - beginning of year	1,896,929	289,154	2,186,083	1,751,616	245,273	1,996,889
Net assets - end of year	$ 2,156,405	$ 225,427	$ 2,381,832	$ 1,896,929	$ 289,154	$ 2,186,083

See accompanying notes to financial statements

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 195,749	$ 189,194
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	70,870	62,907
Bad debt expense	50,411	259,478
Amortization of imputed interest on loans payable	28,727	30,779
Amortization of discount on loans receivable	(44,292)	(40,044)
Increase in accrued interest on loans receivable	(28,030)	(26,765)
Increase in receivables	(387,185)	(218,584)
Increase in receivable from affiliate	(16,959)	(16,618)
Decrease (increase) in prepaid expense	(7,665)	287
Gain on disposition of equipment and furnishings	-	(4,613)
Change in donated assets	-	1,525
(Decrease) increase in accounts payable	54,913	(16,993)
Increase (decrease) in payroll withholding payable	5,689	(5,412)
Increase in accrued salaries	4,780	5,237
Increase in accrued compensated absences	7,585	2,866
Net cash provided by (used in) operating activities	(65,407)	223,244
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment and furnishings acquired	(141,400)	(65,287)
Proceeds from sale of equipment and furnishings	-	4,613
Net cash used in investing activities	(141,400)	(60,674)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on line-of-credit	-	(6,574)
Principal advances on short-term debt	37,595	43,330
Principal payments on short-term debt	(43,330)	(38,540)
Principal payments on long-term debt	(63,767)	(62,743)
Increase in client deposits	850	400
Net cash used in financing activities	(68,652)	(64,127)
NET INCREASE (DECREASE) IN CASH	(275,459)	98,443
Cash and cash equivalents - beginning of year	341,011	242,568
Cash and cash equivalents - end of year	$ 65,552	$ 341,011

See accompanying notes to financial statements

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2019 and 2018

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and contract labor	$ 944,816	$ 90,314	$ 18,961	$ 1,054,091	$ 911,146	$ 89,820	$ 18,961	$ 1,019,927
Payroll taxes	66,262	6,696	1,439	74,397	64,018	6,474	1,439	71,931
Employee benefits	17,077	1,742	542	19,361	24,136	2,441	542	27,119
Food and beverage	514,424	-	-	514,424	550,836	-	-	550,836
Occupancy	134,824	14,981	-	149,805	134,432	14,937	-	149,369
Insurance	66,083	7,343	-	73,426	55,260	6,140	-	61,400
Tax and licenses	710	79	-	789	668	74	-	742
Bad debts	50,411	-	-	50,411	259,478	-	-	259,478
Supplies	34,381	3,820	-	38,201	16,944	4,964	-	21,908
Interest	26,438	2,938	-	29,376	30,247	3,361	-	33,608
Information technology and website	27,603	3,067	-	30,670	16,006	1,779	-	17,785
Accounting and audit	26,805	2,978	-	29,783	31,566	3,507	-	35,073
Vehicle	4,966	552	-	5,518	10,081	1,120	-	11,201
Drug testing supplies	4,401	489	-	4,890	9,535	1,059	-	10,594
Special events	-	-	24,106	24,106	-	-	23,055	23,055
Equipment lease and maintenance	6,930	770	-	7,700	6,322	703	-	7,025
Client assistance	20,042	-	-	20,042	7,412	-	-	7,412
Telephone	804	89	-	893	1,010	112	-	1,122
Dues and memberships	2,704	300	-	3,004	5,434	604	-	6,038
Miscellaneous	34,099	3,789	-	37,888	-	-	-	-
Bank charges	76	9	-	85	109	12	-	121
Printing	-	-	-	-	-	-	-	-
Mileage	937	104	-	1,041	1,407	156	-	1,563
Pest control	4,880	542	-	5,422	3,739	416	-	4,155
Postage	1,068	119	-	1,187	454	50	-	504
Other expenses	48,996	3,413	-	52,409	37,474	4,164	-	41,638
Depreciation	63,783	7,087	-	70,870	56,616	6,291	-	62,907
Total expenses	$ 2,103,520	$ 151,221	$ 45,048	$ 2,299,789	$ 2,234,330	$ 148,184	$ 43,997	$ 2,426,511

See accompanying notes to financial statements

O'BRIEN HOUSE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basis of presentation
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in it corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

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

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

A: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

When donor restrictions expire, that is, when the stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

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

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

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

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

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash flow statement
For the purposes of the statement of cash flows, the organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents. Cash paid for interest was $2,206 and $2,126 for 2019 and 2018, respectively.

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

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

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

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

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

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

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax status

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

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

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

Functional allocation of expenses

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

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and accounting guidance around contributions received and made by not-for-profit organizations. The Organization adopted ASU 2018-08 using a modified prospective method effective January 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into as of January 1, 2019. As a result, the 2018 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of January 1, 2019. There were no material changes to the recognition of contribution revenue during 2019.

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.

B: ECONOMIC DEPENDENCY (Continued)

Significant among those grants and contracts are the following, reflecting their percent of total revenues provided in 2019 and 2018:

	2019	2018
Medicaid	49%	49%
Department of Health and Human Services	3%	3%

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:

	2019	2018
Land	$ 131,000	$ 105,000
Buildings	1,955,306	1,839,906
Vehicles	43,813	43,813
Equipment	127,329	127,329
Furniture	99,832	99,832
	2,357,280	2,215,880
Less accumulated depreciation	(747,855)	(676,986)
	$ 1,609,425	$ 1,538,894

Depreciation expense for 2019 and 2018 was $70,870 and $62,907, respectively.

E: RESTRICTIONS OF NET ASSETS

Net assets with donor restrictions at December 31, 2019 and 2018, consist of the unamortized portion of imputed interest on below market rate loans in the amount of $185,426 and $214,154, respectively. This imputed interest was previously recorded as contributions with donor restrictions. Amounts are released from restriction as the imputed interest is expensed over the terms of the loans.

The Organization also received grant funds with donor restrictions that have not yet been released from restriction as of December 31, 2019 and 2018 from the Huey & Angelina Wilson Foundation (Wilson Foundation) in the amount of $40,000 and $75,000, respectively.

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

	2019	2018
Purpose restriction accomplished:		
Imputed interest	$ 28,727	$ 31,119
Wilson Foundation	75,000	-
Total restrictions released	$103,727	$ 31,119

F: SHORT-TERM LOAN OBLIGATIONS

Short-term loan obligations at December 31, 2019 and 2018 consisted of:

	2019	2018
Non interest bearing loan, payable in monthly installments of $4,808 (2019) and $4,246 (2018), secured by unexpired insurance premiums.	$ 37,596	$ 43,330
	$ 37,596	$ 43,330

G: LONG-TERM DEBT

Long-term debt at December 31, 2019 and 2018 consisted of the following:

	2019		
	Gross Balance	Discount	Net
Mortgage loan at 0% (imputed interest rate of 6.75%) payable in monthly installments of $792, commencing July, 2001.	$ 15,516	$ 734	$ 14,782
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.	260,726	73,759	186,967
Home program loan at 0% (imputed interest rate of 6%) payable in monthly installments of $2,004, commencing January, 2012.	300,124	90,084	210,040
CDBG loan at 0% (imputed interest rate of 6%) payable in quarterly installments of $2,500, commencing January, 2019.	100,000	20,850	79,150
Capital One term loan at 7.5% interest payable in 60 monthly installments of $890, commencing April 2016	12,762	-	12,762
	$ 689,128	$ 185,427	503,701
Less current portion			74,500
Long-term portion			$ 429,201

G: LONG-TERM DEBT (Continued)

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

G: LONG-TERM DEBT (Continued)

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

2020	$ 47,207
2021	38,535
2022	31,759
2023	33,676
2024	35,709
Thereafter	316,815
	$ 503,701

Interest expense on all loan obligations for the year ended December 31, 2019 and 2018 was $29,376 and $33,608, 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 $14,782 and $23,064, for 2019 and 2018, respectively, using an imputed rate of 6.75%.

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

H: LEASE COMMITMENTS

The Organization leases certain office equipment under an agreement classified as operating lease. The lease requires total monthly payments of $130 and will expire in 2023. Lease expense for 2019 and 2018 was $1,560 and $2,134, respectively.

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

I: **RELATED PARTY TRANSACTIONS**

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

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

The loans at December 31, 2019 and 2018 are as follows:

	Loan A	Loan B	Total
Loan amount	$ 400,000	$ 500,000	$ 900,000
Amortized discount	(65,870)	(105,829)	(171,699)
Accrued interest	220,648	-	220,648
Payments applied	-	-	-
Present Value - December 31, 2019	$ 554,778	$ 394,171	$ 948,949

	Loan A	Loan B	Total
Loan amount	$ 400,000	$ 500,000	$ 900,000
Amortized discount	(80,121)	(135,870)	(215,991)
Accrued interest	192,618	-	192,618
Payments applied	-	-	-
Present Value - December 31, 2018	$ 512,497	$ 364,130	$ 876,627

Discount amortized in 2019 and 2018 amounts to $72,322 and $66,809, 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, 2019 and 2018, the fee amounted to $8,570 and $8,320 respectively. At December 31, 2019 and 2018, O'Brien House Management, Inc. was owed a total of $97,321 and $80,362, respectively, in accumulated management fees and utility reimbursements.

J: CONTINGENCIES

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

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

K: FAIR VALUE MEASUREMENTS

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

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

> Level 1 – inputs are based upon unadjusted quoted prices for identical assets or liabilities traded in active markets.
>
> Level 2 – inputs are based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.
>
> Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

K: FAIR VALUE MEASUREMENTS (Continued)

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

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

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

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

Fair values of assets and liabilities measured on a recurring basis at December 31, 2019 and 2018, are as follows:

	Total	Level 1	Level 2	Level 3
December 31, 2019				
Below market rate loans receivable	$ 948,949	$ -	$ -	$ 948,949
December 31, 2018				
Below market rate loans receivable	$ 876,627	$ -	$ -	$ 876,627
December 31, 2019				
Below market rate loans payable	$ 490,939	$ -	$ -	$ 490,939
December 31, 2018				
Below market rate loans payable	$ 516,612	$ -	$ -	$ 516,612

K: FAIR VALUE MEASUREMENTS (Continued)

The table below presents the changes in fair value for the year ended December 31, 2019 and 2018, in Level 3 instruments that are measured at fair value on a recurring basis.

	Loans Receivable	Loans Payable
Balance at December 31, 2017	$ 809,818	$ 539,893
Principal reductions	-	(54,400)
Amortized interest	-	31,119
Accrued interest	26,765	-
Amortized discount	40,044	-
Balance at December 31, 2018	$ 876,627	$ 516,612
Principal reductions	-	(54,400)
Amortized interest	-	28,727
Accrued interest	28,030	-
Amortized discount	44,292	-
Balance at December 31, 2019	$ 948,949	$ 490,939

L: NON-CASH CONTRIBUTIONS

During the years ended December 31, 2019 and 2018, 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.

	2019	2018
Food	$ 440,873	$ 481,194
Household items	14,433	-
Total in kind contributions	$ 455,306	$ 481,194

M: NON-CASH INVESTING AND FINANCING ACTIVITIES

There were no non-cash investing and financing activities in 2019 and 2018.

N: LIQUIDITY

The following reflects the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	2019	2018
Cash	$ 65,552	$ 341,011
Grants receivable	347,111	14,495
Program services receivable	9,423	5,265
Less donor imposed restrictions	(40,000)	(75,000)
Financial assets available to meet cash needs for general expenditure within one year	$ 382,086	$ 285,771

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

O: SUBSEQUENT EVENTS

A novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employee and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Subsequent events were evaluated through June 30, 2020, 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, 2019

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

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

Alvin J. Callais, CPA
Jonathan Clark, CPA

L.A. CHAMPAGNE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2019, 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, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of O'Brien House's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether O'Brien House's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of O'Brien House's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering O'Brien House's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

L. A. Champagne + Co., LLP

Baton Rouge, Louisiana
June 30, 2020

O'BRIEN HOUSE
SUMMARY OF AUDIT RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2019

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, 2019

None noted