O'BRIEN HOUSE

BATON ROUGE, LOUISIANA

DECEMBER 31, 2015

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

4911 BENNINGTON AVENUE, BATON ROUGE, LOUISIANA 70808-3153
(225) 925-1120 ~ FAX: (225) 927-8124 ~ EMAIL: lac@laccpa.com

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Michael A. Tham, CPA, CGMA
Robert L. Stamey, CPA
Susan S. Tham, CPA
Kimberly G. Sanders, CPA, MBA

Alvin J. Callais, CPA

Neal Fortenberry, CPA

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

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

INDEPENDENT AUDITOR'S REPORT

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, 2015 and 2014, 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.

4911 Bennington Avenue • Baton Rouge, Louisiana 70808-3153 • Phone (225) 925-1120 • Fax (225) 927-8124 • lac@laccpa.com
1234 Del Este, Ste 503 • Denham Springs, LA 70726 • Phone (225) 664-3671

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, 2015 and 2014, 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 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Also, the accompanying supplemental information schedule of expenditures of federal awards on page 20, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 28, 2016, 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., L.L.P.

June 28, 2016
Baton Rouge, Louisiana

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Years Ended December 31, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	$ 7,085	$ 42,861
Receivables:		
Grants receivable	115,182	284,974
United Way allocation receivable	32,500	36,250
Program services receivable	7,941	11,738
	155,623	332,962
Prepaid expenses	53,632	52,374
Total current assets	216,340	428,197
PROPERTY AND EQUIPMENT (NET)	1,529,620	1,062,048
OTHER ASSETS		
Receivable from affiliate	31,490	23,875
Donated vehicles held for sale	1,525	1,525
Construction in process	-	471,037
Loans receivable from affiliate	691,085	638,415
	724,100	1,134,852
Total assets	$ 2,470,060	$ 2,625,097

Continued...

		2015		2014
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Short-term loan obligations	$	126,373	$	214,998
Current portion of long term debt		20,591		19,367
Accounts payable		150,859		196,957
Payroll withholding payable		3,835		5,480
Accrued salaries		6,707		36,580
Accrued compensated absences		26,408		23,565
Clients savings and escrow		-		540
Client deposits		3,426		2,528
Total current liabilities		338,199		500,015
LONG-TERM LIABILITIES				
Long term debt, net of current maturities		583,773		587,458
NET ASSETS				
Unrestricted		1,236,501		1,192,807
Temporarily restricted		311,587		344,817
		1,548,088		1,537,624
Total liabilities and net assets	$	2,470,060	$	2,625,097

See accompanying notes

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Federal contracts and grants	$ 928,734	$ -	$ 928,734	$ 1,153,858	$ -	$ 1,153,858
United Way allocation	65,000	-	65,000	72,500	-	72,500
Grants	69,800	-	69,800	77,600	-	77,600
Contributions	94,977	-	94,977	112,484	-	112,484
Non cash contributions	271,900	-	271,900	333,912	-	333,912
Program services and rent	319,821	-	319,821	380,002	-	380,002
Special events	78,966	-	78,966	90,065	-	90,065
Interest income	52,670	-	52,670	48,654	-	48,654
Fee from affiliate	14,127	-	14,127	15,722	-	15,722
Other income	6,643	-	6,643	30,561	-	30,561
	1,902,638	-	1,902,638	2,315,358	-	2,315,358
Net assets released from restrictions:						
Satisfaction of time and purpose restrictions	33,230	(33,230)	-	36,183	(36,183)	-
	1,935,868	(33,230)	1,902,638	2,351,541	(36,183)	2,315,358
EXPENSES						
Program expenses	1,622,044	-	1,622,044	1,661,132	-	1,661,132
Management and general expenses	210,115	-	210,115	206,988	-	206,988
Fundraising expenses	60,015	-	60,015	79,581	-	79,581
	1,892,174	-	1,892,174	1,947,701	-	1,947,701
Increase (decrease) in net assets	43,694	(33,230)	10,464	403,840	(36,183)	367,657
Net assets - beginning of year	1,192,807	344,817	1,537,624	788,967	381,000	1,169,967
Net assets - end of year	$ 1,236,501	$ 311,587	$ 1,548,088	$ 1,192,807	$ 344,817	$ 1,537,624

See accompanying notes

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 10,464	$ 367,657
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	41,764	44,059
Amortization of imputed interest on loans payable	33,230	36,183
Amortization of discount on loans receivable	(29,370)	(26,407)
Increase in accrued interest on loans receivable	(23,300)	(22,247)
Decrease (increase) in receivables	177,339	(167,702)
Increase in receivable from affiliate	(7,615)	(7,393)
Increase in prepaid expense	(1,258)	(15,223)
Increase (decrease) in accounts payable	(46,098)	107,798
Increase (decrease) in payroll withholding payable	(1,645)	2,781
Decrease in accrued salaries	(29,873)	(2,174)
Increase in accrued compensated absences	2,843	13,271
Total adjustments	116,017	(37,054)
Net cash provided by operating activities	126,481	330,603
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction payments	(24,705)	(442,012)
Equipment and furnishings acquired	(13,594)	-
Net cash used in investing activities	(38,299)	(442,012)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal advances on line-of-credit	11,022	345,047
Principal payments on line-of-credit	(97,058)	(214,834)
Principal advances on short-term debt	56,207	73,554
Principal payments on short-term debt	(58,796)	(55,710)
Principal payments on long-term debt	(35,691)	(40,434)
Decrease in client savings and escrow	(540)	(1,561)
Increase in client deposits	898	200
Decrease in liability for unclaimed property	-	(12,005)
Net cash provided by (used in) financing activities	(123,958)	94,257
NET DECREASE IN CASH	(35,776)	(17,152)
Cash and cash equivalents - beginning of year	42,861	60,013
Cash and cash equivalents - end of year	$ 7,085	$ 42,861

See accompanying notes

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2015 and 2014

	2015				2014			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and contract labor	$ 814,453	$ 79,040	$ 28,080	$ 921,573	$ 754,205	$ 79,040	$ 28,080	$ 861,325
Payroll taxes	54,252	5,549	1,849	61,650	51,178	5,234	1,745	58,157
Employee benefits	62,724	6,415	2,138	71,277	52,611	5,381	1,793	59,785
Food and beverage	308,170	-	-	308,170	388,513	-	-	388,513
Occupancy	96,992	41,568	-	138,560	87,109	37,333	-	124,442
Insurance	36,465	15,628	-	52,093	35,589	15,253	-	50,842
Tax and licenses	794	340	-	1,134	-	-	-	-
Bad debts	39,591	-	-	39,591	54,858	-	-	54,858
Supplies	45,478	5,053	-	50,531	27,486	3,054	-	30,540
Interest	33,107	14,189	-	47,296	28,517	12,222	-	40,739
Information technology and website	15,650	6,708	-	22,358	17,570	7,530	-	25,100
Accounting and audit	21,720	9,307	-	31,027	22,007	9,431	-	31,438
Professional fees	-	-	-	-	1,993	854	-	2,847
Vehicle	6,021	669	-	6,690	16,099	1,789	-	17,888
Drug testing supplies	23,420	1,233	-	24,653	24,235	1,276	-	25,511
Special events	4,932	-	27,948	32,880	-	-	46,813	46,813
Equipment lease and maintenance	5,815	2,492	-	8,307	5,053	2,165	-	7,218
Client assistance	947	-	-	947	1,308	-	-	1,308
Telephone	2,103	901	-	3,004	1,839	788	-	2,627
Dues and memberships	2,480	1,063	-	3,543	2,441	1,046	-	3,487
Contract services - client	-	-	-	-	24,202	-	-	24,202
CABHI	-	-	-	-	8,690	-	-	8,690
Miscellaneous	482	206	-	688	788	337	-	1,125
Bank charges	1,122	481	-	1,603	1,170	501	-	1,671
Printing	-	-	-	-	-	-	1,150	1,150
Mileage	1,846	205	-	2,051	734	315	-	1,049
Pest control	2,957	1,267	-	4,224	1,539	659	-	2,198
Postage	-	433	-	433	-	752	-	752
Conferences	-	-	-	-	1,128	483	-	1,611
Other expenses	11,288	4,839	-	16,127	19,429	8,327	-	27,756
Depreciation	29,235	12,529	-	41,764	30,841	13,218	-	44,059
Total expenses	$ 1,622,044	$ 210,115	$ 60,015	$ 1,892,174	$ 1,661,132	$ 206,988	$ 79,581	$ 1,947,701

See accompanying notes

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) 958-205, *Financial Statements of Not-for-Profit Organizations.* Under FASB ASC 958-205, 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. When donor restrictions expire, that is, when the stipulated

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

The Organization applies the standards in Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 740-10 in accounting for uncertainty in income taxes. The Organization files a United States return of organization exempt from income tax. The Organization's returns for 2012, 2013, 2014, and 2015 are subject to examination by the Internal Revenue Service.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2015 and 2014:

	2015	2014
Capital Area United Way	3%	3%
Department of Housing and Urban Development	3%	20%
Department of Health and Human Services	44%	30%

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:

	2015	2014
Land	$ 65,000	$ 65,000
Buildings	1,804,808	1,309,066
Vehicles	50,268	50,268
Equipment	89,079	83,474
Furniture	76,175	68,186
	2,085,330	1,575,994
Less accumulated depreciation	(555,710)	(513,946)
	$ 1,529,620	$ 1,062,048

Depreciation expense for 2015 and 2014 was $41,764 and $44,059, respectively.

In 2012, the Organization entered into an agreement with the City of Baton Rouge – Parish of East Baton Rouge for a grant of $450,000 to be used for building construction and renovation. The building was completed and occupied on November 11, 2015. The total construction costs of $495,742 were capitalized.

E: SHORT-TERM LOAN OBLIGATIONS

Short-term loan obligations at December 31, 2015 and 2014 consisted of:

	2015	2014
Bank line of credit in the amount of $52,000, unsecured, expiring on demand, bearing interest at the bank's index rate of 6.65%, principal and interest payable monthly.	$ 44,191	$ 52,264
Bank line of credit in the amount of $150,000, unsecured, bearing interest at the bank's index rate of 5.00%	-	115,933
Note payble 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.	37,970	-
Non interest bearing loan, payable in monthly installments of $5,894 (2015) and $5,767 (2014), secured by unexpired insurance premiums.	44,212	46,801
	$ 126,373	$ 214,998

E: SHORT-TERM LOAN OBLIGATIONS (Continued)

In 2015 a bank line of credit was converted into a $50,000 term loan, due on demand with monthly payments of $2,195, principal and interest, payable over twenty four months at five percent (5%). Principal payments due in 2016 and 2017 are $24,990 and $12,980, respectively.

F: LONG-TERM DEBT

Long-term debt at December 31, 2015 and 2014 consisted of the following:

	2015		
	Gross Balance	Discount	Net
Mortgage loan at 0% (imputed interest rate of 6.75%) payable in monthly installments of $792, commencing July, 2001.	$ 52,250	$ 8,703	$ 43,547
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.	354,450	120,416	234,034
Home program loan at 0% (imputed interest rate of 6%) payable in monthly installments of $2,004, commencing January, 2012.	409,251	145,892	263,359
CDBG loan at 0% (imputed interest rate of 6%) payable in quarterly installments of $2,500, commencing January, 2019.	100,000	36,576	63,424
	$ 915,951	$ 311,587	604,364
Less current portion			20,591
Long-term portion			$ 583,773

F: LONG-TERM DEBT (Continued)

	2014		
	Gross Balance	Discount	Net
Mortgage loan at 0% (imputed interest rate of 6.75%) payable in monthly installments of $792, commencing July, 2001.	$ 61,750	$ 11,878	$ 49,872
CDBG loan at 0% (imputed interest rate of 6%) payable in annual installments of $20,850, commencing January, 2012	366,612	133,309	233,303
Home program loan at 0% (imputed interest rate of 6%) payable in monthly installments of $2,004, commencing January, 2012	423,281	159,466	263,815
CDBG loan at 0% (imputed interest rate of 6%) payable in quarterly installments of $2,500, commencing January, 2019	100,000	40,165	59,835
	$ 951,643	$ 344,818	606,825
Less current portion			19,367
Long-term portion			$ 587,458

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

2016	$ 20,591
2017	21,892
2018	23,277
2019	35,669
2020	37,104
Thereafter	465,831
	$ 604,364

Interest expense on all loan obligations for the year ended December 31, 2015 and 2014 was $47,296 and $40,739, respectively.

F: LONG-TERM DEBT (Continued)

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 $43,547 and $49,873, for 2015 and 2014, 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 2015 and 2014 was $2,814 and $2,231, respectively.

The future minimum lease payments are as follows:

Years Ending December 31,	
2016	$ 1,800
2017	1,800
2018	1,050
	$ 4,650

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.

H: RELATED PARTY TRANSACTIONS (Continued)

The loans at December 31, 2015 and 2014 are as follows:

			Total
Loan amount	$ 400,000	$ 500,000	$ 900,000
Amortized discount	(119,363)	(234,817)	(354,180)
Accrued interest	110,167	-	110,167
Payments applied	(17,572)	-	(17,572)
Present Value - December 31, 2014	$ 373,232	$ 265,183	$ 638,415

Loan amount	$ 400,000	$ 500,000	$ 900,000
Amortized discount	(111,870)	(212,940)	(324,810)
Accrued interest	133,467	-	133,467
Payments applied	(17,572)	-	(17,572)
Present Value - December 31, 2015	$ 404,025	$ 287,060	$ 691,085

Discount amortized in 2015 and 2014 amounts to $52,670 and $48,654, 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, 2015 and 2014, the fee amounted to $7,615 and $7,393 respectively. At December 31, 2015 and 2014, O'Brien House Management, Inc. was owed a total of $31,490 and $23,875, respectively, in accumulated management fees.

I: RESTRICTIONS OF NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014, consist of the unamortized portion of imputed interest on below market rate loans in the amount of $311,587 and $344,817, 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.

I: RESTRICTIONS OF NET ASSETS (Continued)

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

		2015		2014
Purpose restriction accomplished:				
Imputed interest	$	33,230	$	36,183
Total restrictions released	$	33,230	$	36,183

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

FASB ASC 820, *Fair Value Measurements and Disclosures,* 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.

Under FASB ASC 820, 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 results 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, 2015 and 2014, are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2015				
Below market rate loans receivable	$ 691,085	$ -	$ -	$ 691,085
December 31, 2014				
Below market rate loans receivable	$ 638,415	$ -	$ -	$ 638,415
December 31, 2015				
Below market rate loans payable	$ 604,364	$ -	$ -	$ 604,364
December 31, 2014				
Below market rate loans payable	$ 606,825	$ -	$ -	$ 606,825

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, 2015 and 2014, 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.

	2015	2014
Food	$ 252,328	$ 333,912
Household items	19,572	-
Total in kind contributions	$ 271,900	$ 333,912

N: NON-CASH INVESTING AND FINANCING ACTIVITIES

There were no non-cash investing and financing activities in 2015 and 2014.

O: SUBSEQUENT EVENTS

Subsequent events were evaluated through June 28, 2016, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

O'BRIEN HOUSE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2015

FEDERAL GRANTOR GRANTORS/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING #	PROGRAM OR AWARD AMOUNT	TOTAL FEDERAL EXPENDITURES
U. S. Department of Housing and Urban Development				
Passed Through the City Parish of East Baton Rouge - Office of Community Development:				
Community Development Block Grant - Disaster Recovery	14.228		$ 450,000	$ 45,000
Supportive Housing Program - Supportive Housing	14.235		45,631	34,631
Supportive Housing Program - Permanent Housing	14.235		21,530	18,785
			67,161	53,416
U.S. Department of Health and Human Services				
Passed Through the Louisiana Department of Health and Hospitals - Office of Addictive Disorders:				
Substance Abuse and Mental Health Services - Access to Recovery	93.275		401,000	401,000
Community Mental Health - LA Chronic Homelessness Assistance and Treatment Services	93.243		124,804	124,804
Passed Through Capital Area Human Services District:				
Substance Abuse Prevention and Treatment	93.959		255,843	127,922
		729850	255,843	119,853
Dual Diagnosis	93.959	LA Clinical Services	45,990	17,325
		729882	45,990	13,140
Strengthening Families 1	93.959		29,000	12,560
Strengthening Families 2	93.959		27,500	13,714
			660,166	304,514
			$ 1,703,131	$ 928,734

Note A: The schedule above is prepared using accrual basis of accounting. This information is presented in accordance with the requirement of the Uniform Guidance, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, the amounts presented on the schedule may differ from amounts presented in the basic financial statements.

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

December 31, 2015

Agency Head Name: Todd Hamilton

Purpose		Executive Director Amount
Salary	$	62,788
Benefits - insurance	$	9,462

Michael A. Tham, CPA, CGMA
Robert L. Stamey, CPA
Susan S. Tham, CPA
Kimberly G. Sanders, CPA, MBA

Alvin J. Callais, CPA

Neal Fortenberry, CPA

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

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
O'Brien House

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of O'Brien House and its subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 28, 2016.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-1 that we consider to be a significant deficiency.

4911 Bennington Avenue • Baton Rouge, Louisiana 70808-3153 • Phone (225) 925-1120 • Fax (225) 927-8124 • lac@laccpa.com
1234 Del Este, Ste 503 • Denham Springs, LA 70726 • Phone (225) 664-3671

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*.

O'Brien House's Response to Findings

O'Brien House's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. O'Brien House's response was not subject to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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 28, 2016

Michael A. Tham, CPA, CGMA
Robert L. Stamey, CPA
Susan S. Tham, CPA
Kimberly G. Sanders, CPA, MBA

Alvin J. Callais, CPA

Neal Fortenberry, CPA

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

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

The Board of Directors
O'Brien House

Report on Compliance for Each Major Federal Program
We have audited the O'Brien House's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of O'Brien House's major federal programs for the year ended December 31, 2015. O'Brien House's major federal programs are identified in the summary of auditor's results section of the accompanying summary of audit results and schedule of findings and questioned costs.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of O'Brien House's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about O'Brien House's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, O'Brien House complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

L. A. Champagne & Co., L.L.P.

Baton Rouge, Louisiana
June 28, 2016

O'BRIEN HOUSE
SUMMARY OF AUDIT RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

A: SUMMARY OF AUDIT RESULTS

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

2. One significant deficiency in internal controls, 2015-1 relating to the audit of the financial statements is 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.*" No items are reported as material weaknesses.

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

4. No instance of a significant deficiency in internal controls relating to the audit of the major federal award programs is included in the "Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance".

5. The auditor's report on compliance for the major federal award programs for O'Brien House expresses an unmodified opinion.

6. There are no audit findings relating to the major federal award programs for O'Brien House reported in Part C of this Schedule.

7. A management letter was not issued.

8. The programs tested as a major program are as follows:

   U. S. Department of Health and Human Services

   CFDA 93.275 – Substance Abuse and Mental Health Services – Access to Recovery

9. The threshold for distinguishing Types A and B programs was $750,000.

10. O'Brien House was determined to be a low-risk auditee.

B: FINDINGS - FINANCIAL STATEMENTS AUDIT

INTERNAL CONTROL

2015-1 Internal Control over Financial Reporting

Condition: We assisted management in the analysis and reclassification of various accounts in order to close the books at year end and in drafting the financial statements and related notes as part of our year-end audit process.

Effect: Because our involvement is so key to that process there is an indication that this deficiency in internal control over financial reporting of the Organization meets the definition of a significant deficiency as defined below.

Criteria: Internal controls over financial reporting are those policies and procedures that exist to assure an entity's ability to initiate, record, process, and report financial data consistent with assertions embodied in the annual financial statements, and that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Auditor's Recommendation: At this time it is not feasible for the O'Brien House to acquire the expertise necessary to actually draft the year-end financial statements in accordance with GAAP. Therefore, we propose to continue to assist management in the drafting of those financial statements.

Management Response: Management acknowledges the condition as described above. Although the O'Brien House's management does not actually prepare and draft the financial statements, we have the capacity and experience to understand proposed adjustments and to oversee the drafting of financial statements prepared in accordance with generally accepted accounting principles. Management, assisted by a CPA retained in 2015, provides all of the information to support adjustments and reclassifications and other information to be included in the financial statements and we understand the financial statement presentation. Therefore, management proposes to continue with the current arrangement for financial statement preparation.

C: FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Substance Abuse and Mental Health Services – Access to Recovery; CFDA No. 93.275; year ended December 31, 2015.

None noted

'Brien House

Saving lives and families from addiction since 1971

446 N. 12th Street | Baton Rouge, LA 70802 | Phone: 225.344.6345 | Fax: 225.615-8875

www.obrienhouse.org | info@obrienhouse.org

June 28, 2016

The O'Brien House respectfully submits the following corrective action plan for the year ended December 31, 2015.

Name and Address of independent public accounting firm:
L.A. Champagne & Co., L.L.P.
4911 Bennington Avenue
Baton Rouge, LA 70808

Audit period: Year ended December 31, 2015

The findings from the 2015 schedule of findings and questioned cost are discussed below. The findings are numbered consistently with the number assigned to the schedule.

INTERNAL CONTROL

2015-1 Internal Control over Financial Reporting

Condition: We assisted management in the analysis and reclassification of various accounts in order to close the books at year end and in drafting the financial statements and related notes as part of our year-end audit process.

Action Taken: Management acknowledges the condition as described above. Although the O'Brien House's management does not actually prepare and draft the financial statements, we have the capacity and experience to understand proposed adjustments and to oversee the drafting of financial statements prepared in accordance with generally accepted accounting principles. Management, assisted by a CPA retained in 2015, provides all of the information to support adjustments and reclassifications and other information to be included in the financial statements and they understand the financial statement presentation.

Therefore, management proposes to continue with the current arrangement for financial statement preparation.

If there are any questions regarding this plan, please call me at 225-344-6345.

Respectively submitted,
O'Brien House's

Todd Hamilton

Todd Hamilton
Executive Director

O'BRIEN HOUSE
SCHEDULE OF CORRECTIVE ACTION TAKEN
ON PRIOR YEAR FINDINGS
Year Ended December 31, 2015

2014-1 Internal Control over Financial Reporting

Repeated in current year findings as item 2015-1.

2014-2 Engagement Completion and Submission

Resolved