

ANNUAL FINANCIAL REPORT

OZANAM INN

SEPTEMBER 30, 2023

OZANAM INN
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SEPTEMBER 30, 2023

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INDEPENDENT AUDITOR'S REPORT

January 30, 2024

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Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ozanam Inn (the Inn) (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ozanam Inn as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ozanam Inn and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ozanam Inn's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ozanam Inn's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ozanam Inn's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for purposes of additional analysis, as required by Louisiana Revised Statute (R.S.) 24:513 (A)(3), and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, 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 also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic 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 January 30, 2024 on our consideration of the Inn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Inn's 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 the Inn's internal control over financial reporting and compliance.



New Orleans, Louisiana

OZANAM INN
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2023

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 202,415
Grants receivables	<u>156,913</u>
Total current assets	<u>359,328</u>
INVESTMENTS (FAIR VALUE):	
Mutual fund	<u>1,358,243</u>
Total investments	<u>1,358,243</u>
PROPERTY AND EQUIPMENT.	
Property and equipment	5,868,196
Less: accumulated depreciation	<u>(639,986)</u>
Total property and equipment	<u>5,228,210</u>
TOTAL ASSETS	<u>\$ 6,945,781</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Current portion of long-term debt	\$ <u>1,380,624</u>
Total current liabilities	<u>1,380,624</u>
LONG-TERM DEBT:	
Notes payable	<u>3,000,000</u>
Total long-term debt	<u>3,000,000</u>
NET ASSETS.	
Without donor restrictions	<u>2,565,157</u>
Total net assets without donor restrictions	<u>2,565,157</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,945,781</u>

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

OZANAM INN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CHANGES IN NET ASSETS

WITHOUT DONOR RESTRICTIONS:

SUPPORT AND REVENUE:

Donations and legacies	\$ 756,765
Grants	1,766,315
Fundraising - special events	192,672
Net investment gain	117,871
Total support and revenue	<u>2,833,623</u>

EXPENSES:

Program services:

Housing and feeding the poor	2,988,647
Total program services	<u>2,988,647</u>

Supporting services:

Administrative	187,349
Fundraising	9,803
Total supporting services	<u>197,152</u>
Total expenses	<u>3,185,799</u>

DECREASE IN NET ASSETS WITHOUT
DONOR RESTRICTIONS

(352,176)

NET ASSETS WITHOUT DONOR
RESTRICTIONS - Beginning of year

2,917,333

NET ASSETS WITHOUT DONOR
RESTRICTIONS - END OF YEAR

\$ 2,565,157

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

OZANAM INN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Housing and Feeding the Poor</u>	<u>Administration</u>	<u>Fundraising</u>	
Bank charges	\$ -	\$ 411	\$ -	\$ 411
Food and supplies	78,685	8,743	-	87,428
Fundraising	-	-	8,703	8,703
Insurance	60,412	20,137	-	80,549
Interest	63,593	7,066	-	70,659
Miscellaneous	12,453	2,197	-	14,650
Maintenance contracts	12,090	2,134	-	14,224
Office and computer supplies	13,864	20,796	-	34,660
Payroll taxes	71,177	7,909	-	79,086
Postage	1,100	549	1,100	2,749
Professional services	15,568	15,568	-	31,136
Repairs and maintenance	43,097	4,789	-	47,886
Salaries and employee benefits	542,577	60,286	-	602,863
Staff and board education	1,290	1,290	-	2,580
Social services	1,726,043	-	-	1,726,043
Supplies - housekeeping	30,966	-	-	30,966
Telephone	6,007	1,060	-	7,067
Transportation	8,710	968	-	9,678
Utilities	105,945	11,772	-	117,717
	<u>2,793,577</u>	<u>165,675</u>	<u>9,803</u>	<u>2,969,055</u>
Total expenses before depreciation				
Depreciation	<u>195,070</u>	<u>21,674</u>	<u>-</u>	<u>216,744</u>
TOTAL EXPENSES	\$ <u>2,988,647</u>	\$ <u>187,349</u>	\$ <u>9,803</u>	\$ <u>3,185,799</u>

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

OZANAM INN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in net assets	\$ (352,176)
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Depreciation	216,744
Interest reinvested in mutual fund	(27,699)
Net appreciation on investments	(108,475)
Investment expenses	18,303
Changes in operating assets and liabilities:	
Decrease in grant receivables	54,534
Net cash used in operating activities	<u>(198,769)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on notes payable	<u>(92,553)</u>
Net cash used in financing activities	<u>(92,553)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(291,322)
Beginning cash and cash equivalents	<u>493,737</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 202,415</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Noncash investing activities:	
Purchase of investments through reinvestment of interest earned	<u>\$ (27,699)</u>
Increase in investments through appreciation	<u>\$ 108,475</u>
Cash paid for interest	<u>\$ 70,659</u>

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

OZANAM INN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

ORGANIZATION:

Ozanam Inn (the Inn) is a nonprofit organization that was incorporated on March 1, 1955, which derives its income from public donations, grants, and investment income. All funds received, net of amounts required for operating expenses, are used for the charitable purpose to aid, assist, and provide refuge for homeless, transient, and indigent men and women.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting and Financial Statement Presentation:

The Inn prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Inn follows the provisions of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. FASB ASC 958 established the standards for external financial reporting for not-for-profit organizations, which includes a statement of financial position, a statement of activities, a statement of functional expenses and a statement of cash flows. It requires the classification of resources into two classes of net assets based on the absence or existence of donor-imposed restrictions. These two classifications are defined as follows:

Net Assets without donor restrictions – Net assets which are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Inn. These net assets may be used at the discretion of the Inn’s management and the Board of Directors.

Net Assets with donor restrictions – Net assets which are subject to donor-imposed restrictions that may or will be met by action of the Inn and/or the passage of time. This category also includes net assets which are subject to donor-imposed restrictions that are required to be maintained permanently by the Inn. Generally, the donors of these assets permit the Inn to use all or part of the income earned on any related investments for general or specific purposes.

Functional Allocation of Expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category such as salaries and wages, benefits, payroll taxes, professional services, office expenses, interest, insurance, and miscellaneous, are allocated on the basis of estimates of time and effort.

OZANAM INN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue Recognition:

The Inn receives grants from governmental entities as well as contributions from individuals. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at date of receipt.

The Inn accounts for contributions received as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the absence or existence and nature of any donor-imposed restrictions. When a donor restriction expires, when a stipulated time restriction ends or a purpose restriction is met, the Inn reclassifies the net assets with donor restrictions to net assets without donor restrictions and reports these net assets as released from restrictions in the Statement of Activities. The Inn chooses to report restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Government grants are recorded as revenues in the period the Inn meets the conditions for revenue recognition, namely when reimbursable program expenses have been incurred for the purposes specified by the grants. To the extent amounts received exceed amounts spent, the Inn records the excess as advances from government.

The Inn receives conditional grant funds from the United States Department of Housing and Urban Development passed through the City of New Orleans and Unity of Greater New Orleans. The conditional grants are reported as revenue when qualifying expenses are incurred. Any conditional grant funds received in which the performance has not been met is reported as refundable advances in the statement of financial position. There were no refundable advances for conditional grants for the year ended September 30, 2023, as all of the federal pass-through grants are cost-reimbursable grants.

Method Used to Value Investments:

Mutual fund investments are valued at fair market value based on the Inn's ownership percentage of the mutual fund's fair value.

Income Taxes:

The Inn qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is exempt from federal income taxes, except for unrelated business income. There was no unrelated business income during the year. The Inn's tax filing, Form 990, is subject to examination by the IRS, generally for three years after it is filed.

OZANAM INN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Statement of Cash Flows:

For purposes of the cash flow statement, the Inn has defined cash equivalents as investments purchased with an original maturity of three months or less.

The Inn paid \$70,659 in loan interest and \$-0- in income taxes for the year ended September 30, 2023.

Grants Receivable:

Grants receivable are recognized in the period earned and consists of amounts due from various granting agencies for grants and cost reimbursement programs. These amounts are presented at fair value and management estimates that all are collectible.

Property and Equipment:

Purchased property and equipment is recorded at cost. Property and equipment acquired by donation is recorded at fair market value as of the date of the donation. If donors stipulate how long the assets must be used, the contributions are recorded as net assets with donor restriction. In the absence of such stipulations, contributions of property and equipment are recorded as net assets without donor restriction. The Inn capitalizes property and equipment purchases and donations over \$5,000 and expenses those under \$5,000. Depreciation is computed over the asset's estimated useful life using the straight-line method.

Estimated useful lives of property and equipment are as follows:

Vehicles	5 - 7 years
Furniture and fixtures	5 - 20 years
Equipment	5 - 7 years
Buildings and improvements	5 - 39 years

Contributed Nonfinancial Assets:

In September 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). This ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. There were no nonfinancial assets contributed to the Inn during the year ended September 30, 2023.

OZANAM INN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

2. INVESTMENTS

The Inn invests in a Catholic Foundation quasi-contributed mutual fund. Interest earned on the fund is reinvested. The Inn can make withdrawals as needed from the mutual fund to cover operating costs. For the year ended September 30, 2023, the Inn earned \$27,699 in interest and had a net appreciation of \$108,475. The ending balance of the Inn's investment in the mutual fund was \$1,358,243 at September 30, 2023.

At September 30, 2023, the fair values and appreciation (depreciation) for the Inn's investments were summarized as follows:

	2023		
	Fair Value	Cost or Donated Value	Gains (Losses)
Investments - end of year	\$ 1,358,243	\$ 1,001,701	\$ 356,542
Investments - beginning of year	1,240,372	992,305	248,067
Net appreciation for the year			\$ 108,475

The following schedule summarizes the net investment income in the statement of activities.

	2023
Interest reinvested in mutual fund	\$ 27,699
Net realized and unrealized gain	108,475
Investment expenses	(18,303)
Net investment gain	\$ 117,871

Investment revenues are reported net of related external and direct internal investment expenses in the statement of activities. The amount of expenses netted with revenues was \$18,303 for the year ended September 30, 2023.

3. CONCENTRATION OF CREDIT RISK:

The cash balances in bank accounts owned by the Inn are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. At September 30, 2023, the Inn had \$222,421 in demand deposits (bank balances) which were fully covered by FDIC insurance.

OZANAM INN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

4. RETIREMENT PLAN.

The Inn participates in a 401(k) retirement plan administered by the Roman Catholic Church of the Archdiocese of New Orleans. Employees who work at least 20 hours per week are eligible to contribute up to 16% of their gross salary not to exceed federal tax law limitations. The Inn matches dollar for dollar on the first 3½% of elective deferrals. For the year ended September 30, 2023, the Inn's total contributions were \$34,073.

5. FAIR VALUE MEASUREMENTS:

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 – Observable inputs, such as unadjusted quoted prices in active markets, for substantially identical assets and liabilities.
- Level 2 – Observable inputs other than quoted prices within Level 1 for similar assets and liabilities. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. If the asset or liability has a specified or contractual term, the input must be observable for substantially the full term of the asset or liability.
- Level 3 – Unobservable inputs that are supported by little or no market activity, generally requiring a significant amount of judgment by management. The assets' or liabilities' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments of the Inn are held in pooled assets managed by the Catholic Foundation. The values of the Inn's investments in this pool are based on information provided by the Catholic Foundation. These investments are classified within Level 2 of the fair value hierarchy.

The methods described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Further, although the Inn believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

OZANAM INN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

5. FAIR VALUE MEASUREMENTS (Continued)

The Inn's investments are reported at fair value in the accompanying statement of financial position.

<u>September 30, 2023</u>	<u>Fair Value</u>	Fair Value Measurements Using Other Observable Market Data (Level 2)
Mutual fund	\$ <u>1,358,243</u>	\$ <u>1,358,243</u>

6. COMPENSATED ABSENCES:

Employees of the Inn are entitled to paid personal days off, depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Inn's policy is to recognize the costs of compensated absences when paid to employees.

7. 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 certain reported amounts of assets and liabilities, and the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

8. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

	<u>10-1-2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>9-30-2023</u>
<u>Property and Equipment:</u>				
Furniture and fixtures	\$ 302,393	\$ -	\$ -	\$ 302,393
Building and improvements	5,198,461	-	-	5,198,461
Kitchen equipment	157,908	-	-	157,908
Office equipment	31,484	-	-	31,484
Vehicles	177,950	-	-	177,950
Total property and equipment	5,868,196	-	-	5,868,196
Less accumulated depreciation	(423,242)	(216,744)	-	(639,986)
Total property and equipment, net of depreciation	<u>\$ 5,444,954</u>	<u>\$ (216,744)</u>	<u>\$ -</u>	<u>\$ 5,228,210</u>

OZANAM INN
 NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

8. PROPERTY AND EQUIPMENT: (Continued)

Depreciation expense for the year ended September 30, 2023 was \$216,744.

9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Inn's financial assets as of the statement of financial position date, 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. Amounts available include donor restricted amounts that are available for general expenditures in the following year:

	2023
Financial assets:	
Cash and cash equivalents	\$ 202,415
Mutual fund	1,358,243
Grants receivables	156,913
Total financial assets	1,717,571
Financial assets available to meet cash needs for expenses for one year	\$ 1,717,571

10. CAPITAL CAMPAIGN:

During the year ended September 30, 2020, the Inn began a capital campaign to raise funds to cover the renovation costs of a new facility. The Inn obtained grants and loans to cover the additional costs of the building purchase and renovation. During the year ended September 30, 2023, the Inn received \$180,245 in donations towards the campaign and incurred \$8,703 in fundraising expenses related to the campaign. Through the year ended September 30, 2023, the Inn has received a total of \$2,020,406 in contributions and incurred \$176,898 in fund raising expenses related to the capital campaign. Funds in excess of campaign contributions have been spent on planning, construction, and moving costs related to the new facility, as of September 30, 2023. The Inn continues to pursue capital campaign contributions to be used to pay down the principal balance of a loan obtained to complete the planning and renovation of the new facility.

11. CONCENTRATION OF REVENUE SOURCES:

The Inn receives the majority of its revenue from Federal grants, donations, and fundraising activities. The current level of the Inn's operations may be impacted or discontinued if the funding from these sources is reduced significantly.

OZANAM INN
 NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

12. LONG-TERM DEBT:

On December 23, 2020, the Inn entered into a loan agreement with Fidelity Bank for the purpose of paying for renovation costs of a new facility. The loan can be drawn to a maximum of \$2,000,000 and matures on December 23, 2025. Interest is calculated on unpaid principal balances using a rate of 4.85% per annum. The loan is due on demand. If no demand is made, the loan is due in six monthly payments of interest only, followed by 53 monthly principal and interest payments of \$11,518 beginning July 23, 2021, with one final principal and interest payment of the remaining unpaid balance due on December 23, 2025. Interest expense on the loan for the year ended September 30, 2023 was \$70,659. The outstanding balance of the loan at September 30, 2023 was \$1,380,624.

On December 17, 2020, the Inn entered into a loan agreement with the City of New Orleans for a forgivable loan in the amount of \$3,000,000, with an interest rate of 0% per annum. The loan proceeds were designated for the acquisition of a new facility as part of a shelter expansion. The loaned funds were awarded through the Community Development Block Grant (CDBG) - Coronavirus, Aid, Relief and Economic Security (CARES) Act from the U.S. Department of Housing and Urban Development (HUD) appropriations, with the purpose of developing viable urban communities including decent housing and suitable living environments and expanding economic opportunities, principally for persons of low and moderate income.

The loan will be forgiven in full after the Inn satisfies compliance requirements of residing in the facility for a minimum of ten years from the date of occupancy (November 1, 2021) and continues to operate the facility providing permanent supportive housing. The full amount of the loan award was used during the year ended September 30, 2021, and is included as federal expenditures on the Statement of Expenditures of Federal Awards. The balance of the loan will be reported as a liability until the ten-year compliance requirement has been met. The outstanding balance of the loan at September 30, 2023 was \$3,000,000.

Future minimum note payments at September 30, 2023 are as follows:

2024	\$ 1,380,624
2025	-
2026	-
2027	-
2028	-
Thereafter	<u>3,000,000</u>
Total	<u>\$ 4,380,624</u>

13. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through January 30, 2024, which is the date the financial statements were available to be issued.

OZANAM INN
SCHEDULE OF COMPENSATION, BENEFITS
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Agency Head: Clarence J. Adams
Position: Chief Executive Officer

Salary	\$ 101,578
Benefits - medical, dental and life insurance	11,509
Cell phone allowance	1,100
Total	<u>\$ 114,187</u>



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

January 30, 2024

Board of Directors
Ozanam Inn
New Orleans, LA

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 financial statements of Ozanam Inn (the Inn) (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ozanam Inn's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Inn's internal control. Accordingly, we do not express an opinion on the effectiveness of the Inn's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Inn's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying summary schedule of findings as items 23-01.

Purpose of this Report

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



New Orleans, Louisiana



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

January 30, 2024

Board of Directors
Ozanam Inn
New Orleans, LA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ozanam Inn's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Ozanam Inn's major federal program for the year ended September 30, 2023. Ozanam Inn's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Ozanam Inn complied, in all material respects, with the types of compliance requirements referred to above that could have a direct or material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

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*,

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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 Principle, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance Section of our report.

We are required to be independent of Ozanam Inn and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Inn's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Ozanam Inn's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ozanam Inn's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted accounting standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve, collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Inn's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Ozanam Inn's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Ozanam Inn’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Inn’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



New Orleans, Louisiana

OZANAM INN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

<u>Federal Grantor/Pass-through Grantor Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Emergency Solutions Grant (ESG) Program:			
Passed through the City of New Orleans			
Emergency Shelter Operations	14.231	ESG34F	\$ 10,808
Emergency Shelter Operations	14.231	ESG35F	<u>147,654</u>
Total Emergency Solutions Grant Program			<u>158,462</u>
Continuum of Care Program:			
Passed through Unity of Greater New Orleans			
Home for Good – Permanent Housing	14.267	LA0252L6H032005	50,882
Home for Good – Permanent Housing	14.267	LA0252L6H032106	704,454
Problem Solving for Coordinated Entry	14.267	LA0360L6H032102	48,450
Rapid Rehousing to Reduce Homelessness	14.267	LA0359L6H032102	<u>518,107</u>
Total Continuum of Care Program			<u>1,321,893</u>
Community Development Block Grants (CDBG) Entitlements Grants Cluster:			
Passed through the City of New Orleans			
Shelter Expansion Loan – Cares Act – COVID-19	14.218	CDBG-CV01	<u>3,000,000</u>
Total Community Development Block Grants / Entitlements Grants Cluster			<u>3,000,000</u>
Total U.S. Department of Housing and Urban Development			<u><u>4,480,355</u></u>
Total financial awards - current			4,480,355
Prior year loan with continuing compliance requirements			(3,000,000)
Total Expenditures of Federal Awards			<u><u>\$ 1,480,355</u></u>

See accompanying notes to schedule of expenditures of federal awards.

OZANAM INN
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

1. BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Ozanam Inn under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Inn, it is not intended to and does not present the financial position, changes in net assets, or cash flow of Ozanam Inn.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE:

The Inn has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. SUBRECIPIENTS:

There were no awards passed through to subrecipients.

5. LOAN(S) WITH CONTINUING COMPLIANCE REQUIREMENTS:

As disclosed in note 12 to the financial statements, the forgivable loan with continuing compliance requirements bears interest of 0% in the amount of \$3,000,000 payable to the City of New Orleans (the City). The loan was allocated by the City utilizing Community Development Block Grant (CDBG) - Coronavirus, Aid, Relief and Economic Security (CARES) Act funds designated for the expansion of the Inn's shelter and was used towards the purchase of a new facility. The full amount of the loan award was used during the year ended September 30, 2021, and is included as federal expenditures on the Statement of Expenditures of Federal Awards as assistance listing #14,218. The loan will be forgiven in full after the Inn satisfies compliance by owning and operating the facility as a public facility homeless shelter for a minimum of ten years from the date of occupancy (November 1, 2021). At September 30, 2023, the balance of the loan remained at \$3,000,000 and will continue to be reported as a liability and included on the Inn's schedule of expenditures of federal awards until the ten-year compliance service period has concluded.

OZANAM INN
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Noncompliance with laws and regulations noted? Yes No

Management letter was issued? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance with the
 Major Federal award program: *Unmodified*

Any audit findings disclosed that are required to be
 reported in accordance with Uniform Guidance,
 Title 2 U.S. Code of Federal Regulations (CFR)
 Section 200.516(a). Yes No

The Inn had one major program as follows:

	<u>Assistance Listing No.</u>	<u>Federal Expenditures</u>
Continuum of Care Program	14,267	\$ <u>1,321,893</u>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee: Yes No

OZANAM INN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED
GOVERNMENTAL AUDITING STANDARDS

23-01 Filing of Audit Report

The audit report for the year ended September 30, 2023 was not submitted by the date authorized by the State of Louisiana Legislative Auditor. The Louisiana Legislative Auditor requires that the audit report be submitted no later than March 31, 2024. Failure to submit the audit report by the date authorized by the State of Louisiana Legislative Auditor results in non-compliance with the statutory requirements.

We recommend that the Inn ensure the audited financial statements are submitted timely in order to meet the required reporting deadline.

Management's response:

Management will ensure the audit report is submitted timely to meet the necessary deadlines established by the Legislative Auditor.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS PROGRAMS

None.

OZANAM INN
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

PRIOR YEAR FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY
ACCEPTED GOVERNMENTAL AUDITING STANDARDS

None.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS PROGRAMS

None.