LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
BATON ROUGE, LOUISIANA

AUDITED FINANCIAL STATEMENTS
June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Louisiana Health and Rehabilitation Center, Inc.
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Louisiana Health and Rehabilitation Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Health and Rehabilitation Center, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its 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 financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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, Reimbursements, Benefits, and Other Payments to Agency Head, Political Subdivision Head, or Chief Executive Officer, as required by Louisiana Revised Statute 24:513 (A)(3), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021, on our consideration of Louisiana Health and Rehabilitation Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Louisiana Health and Rehabilitation Center, Inc.'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 Louisiana Health and Rehabilitation Center, Inc.'s internal control over financial reporting and compliance.

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Baton Rouge, Louisiana
November 30, 2021

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LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENTS OF FINANCIAL POSITION
(See Notes to Financial Statements)
June 30, 2021 and 2020

ASSETS

	June 30, 2021	June 30, 2020
CURRENT ASSETS		
Cash and cash equivalents	$ 304,190	$ 65,081
Restricted cash	3,541	2,068
Receivables	174,950	69,982
Prepaid expenses	42,517	47,735
TOTAL CURRENT ASSETS	525,198	184,866
PROPERTY AND EQUIPMENT		
Furniture, Fixtures and Equipment	136,554	121,199
Vehicles	63,889	28,500
Building	1,792	1,792
Leasehold Improvements	86,833	86,833
TOTAL PROPERTY AND EQUIPMENT	289,068	238,324
Less Accumulated Depreciation	(157,188)	(140,316)
NET PROPERTY AND EQUIPMENT	131,880	98,008
OTHER ASSETS	1,041	1,041
TOTAL ASSETS	$ 658,119	$ 283,915

LIABILITIES AND NET ASSETS

	June 30, 2021	June 30, 2020
CURRENT LIABILITIES		
Accounts Payable	$ 10,462	$ 11,655
Accrued Payroll Liabilities	967	762
Accrued Insurance	13,771	25,099
Other Accrued Expenses	26,692	23,739
Amounts Held for Others	3,541	2,068
Due to Related Parties	263,372	381,912
Current portion of long term debt- PPP	-	33,730
Current portion of long term debt	48,607	32,956
TOTAL CURRENT LIABILITIES	367,412	511,921
LONG-TERM LIABILITIES		
PPP Note Payable	68,000	68,000
Notes Payable, Related Party	40,551	32,956
Note Payable, Vehicle	32,839	-
Less current portion of long term debt	(48,607)	(66,686)
TOTAL LONG-TERM LIABILITIES	92,783	34,270
TOTAL LIABILITIES	460,195	546,191
NET ASSETS		
Without Donor Restrictions:		
Undesignated	197,924	(262,276)
TOTAL LIABILITIES AND NET ASSETS	$ 658,119	$ 283,915

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LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENTS OF ACTIVITIES
(See Notes to Financial Statements)
For the Years Ended June 30, 2021 and 2020

	2021	2020
SUPPORT AND REVENUES		
Public Support:		
Reality House	$ 1,353,011	$ 817,278
Outpatient Substance Abuse	8,845	58,876
Cooperative Agreement to Benefit Homeless	1,365	6,735
Government Grants	99,557	-
Contributions	3,365	1,782
Interest Income	4	-
Other	2,919	5,693
TOTAL SUPPORT AND REVENUES	1,469,066	890,364
EXPENSES		
Program Expenses	774,483	786,625
General and Administrative	234,383	290,585
TOTAL EXPENSES	1,008,866	1,077,210
OTHER INCOME (EXPENSES)		
Loss on Disposal of Assets	-	(29,871)
INCREASE (DECREASE) IN NET ASSETS	460,200	(216,717)
NET ASSETS		
BEGINNING OF YEAR	(262,276)	(45,559)
END OF YEAR	$ 197,924	$ (262,276)

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LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
(See Notes to Financial Statements)
For the Year Ended June 30, 2021

	2021		
	Program Expenditures	General & Administrative	Total
Advertising	$ -	$ 32	$ 32
Automobile Expense	7,141	-	7,141
Background Check	7,508	5,202	12,710
Bank Service Charges	220	679	899
Contract for Outside Services	375,230	110,425	485,655
Client Expenses	2,623	-	2,623
Depreciation Expense	11,258	5,614	16,872
Drug Screen	329	1,071	1,400
Employee Benefits	94	1,756	1,850
Furniture	1,468	-	1,468
Insurance	27,332	55,773	83,105
Interest Expense	2,117	5	2,122
Licenses	601	3,557	4,158
Maintenance, Building and Grounds	1,999	115	2,114
Management Fees	2,000	11,000	13,000
Medical Expense	301	-	301
Memberships and Dues	242	-	242
Miscellaneous Expenses	161	500	661
Office Expenses	2,176	430	2,606
Payroll Expenses	226,915	9	226,924
Postage and Delivery	8	-	8
Professional Fees	712	20,035	20,747
Repairs	10,776	314	11,090
Rent	49,378	16,800	66,178
Security Expenses	1,064	-	1,064
Storage	2,037	1,231	3,268
Supplies	12,099	(165)	11,934
Telephone	8,773	-	8,773
Training	1,224	-	1,224
Utilities	18,697	-	18,697
TOTAL	$ 774,483	$ 234,383	$ 1,008,866

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LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
(See Notes to Financial Statements)
For the Year Ended June 30, 2020

	2020		
	Program Expenditures	General & Administrative	Total
Advertising	$ 2,721	$ 1,063	$ 3,784
Automobile Expense	6,085	261	6,346
Bad Debt Expense	-	9,070	9,070
Background Check	836	-	836
Bank Service Charges	260	903	1,163
Contract for Outside Services	277,061	140,938	417,999
Client Expenses	706	-	706
Depreciation Expense	10,167	2,239	12,406
Employee Benefits	441	1,242	1,683
Insurance	35,464	80,299	115,763
Interest Expense	175	3,625	3,800
Laboratory Expenses	480	-	480
Licenses	1,436	3,027	4,463
Maintenance, Building and Grounds	2,969	-	2,969
Management Fees	-	13,000	13,000
Miscellaneous Expenses	295	385	680
Office Expenses	5,632	880	6,512
Payroll Expenses	284,901	-	284,901
Professional Fees	484	16,480	16,964
Repairs	13,130	-	13,130
Rent	92,388	16,800	109,188
Storage	1,191	53	1,244
Supplies	10,386	320	10,706
Telephone	13,901	-	13,901
Training	600	-	600
Utilities	24,916	-	24,916
TOTAL	$ 786,625	$ 290,585	$1,077,210

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LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENTS OF CASH FLOWS
(See Notes to Financial Statements)
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 460,200	$ (216,717)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	16,872	12,406
Loss on Disposal of Assets	-	29,871
Noncash PPP Loan Forgiveness	(68,000)	-
Decrease (Increase) in Assets:		
Receivables	(104,968)	33,029
Prepaid expenses and other assets	5,218	(6,469)
Increase (Decrease) in Liabilities:		
Accounts payable	(1,193)	(9,991)
Payroll liabilities	205	(358)
Accrued Insurance	(11,328)	4,003
Other liabilities	4,426	(2,950)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	301,432	(157,176)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(15,355)	(9,067)
Purchase of Vehicles	(35,389)	(28,500)
NET CASH USED IN INVESTING ACTIVITIES	(50,744)	(37,567)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Proceeds (Payments) on long-term debt	40,434	(19,595)
Proceeds from PPP Loan #1	-	68,000
Proceeds from PPP Loan #2	68,000	-
(Payments to) Advances from related parties net	(118,540)	177,456
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(10,106)	225,861
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	240,582	31,118
BEGINNING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	67,149	36,031
ENDING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	$ 307,731	$ 67,149

The followig table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts in the statement of cash flows.

	2021	2020
Cash and Cash Equivalents, Unrestricted	$ 304,190	$ 65,081
Restricted Cash in Current Assets	3,541	2,068
	$ 307,731	$ 67,149

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LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – Louisiana Health and Rehabilitation Center, Inc. (LHRC) is a non-profit corporation whose purpose is to provide therapeutic psychiatric programs to eliminate inappropriate and maladaptive behaviors. Their services are designed to help persons with developmental disabilities, and severe and persistent behavioral problems reach their maximum functioning level in the community.

All programs are operated in southern Louisiana and are primarily funded by the State of Louisiana agencies through the Department of Health and Hospitals and by the City of Baton Rouge through the Office of Community Development.

Basis of Accounting – The financial statements were prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation – LHRC reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity. Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of LHRC, the environment in which it operates, the purposes specified in corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reporting in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. LHRC does not have any net assets with donor restrictions for the year ended June 30, 2021 and 2020.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue and Revenue Recognition – Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Cash and Cash Equivalents – For purposes of the statements of cash flows, LHRC considers all highly liquid investments, both restricted and unrestricted, with an initial maturity of three months or less to be cash equivalents.

Restricted Cash – LHRC, as custodial agent, maintains cash for clients in several of its programs. These amounts are segregated from LHRC's cash accounts.

Receivables – Bad debts are charged to operations in the year in which the account is determined uncollectible. If the reserve method of accounting for uncollectible accounts were used, it would not have a material effect on the financial statements. No amounts for an allowance for bad debts have been established as LHRC expects to collect the balance in full.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue With and Without Donor Restrictions – Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Property and Equipment – Purchased property and equipment is recorded at cost. Acquisitions of land, buildings, and improvements, furniture and equipment in excess of $1,000 are capitalized. Depreciation is calculated using the straight-line method over the estimated useful life of the assets. Estimated useful lives range from 5 to 15 years for most furniture, equipment, and major improvements and 39 years for buildings.

Depreciation expense was $16,872 and $12,406 for years ended June 30, 2021 and 2020, respectively.

Repair and maintenance costs are expensed as incurred. When property and equipment are retired or otherwise disposed, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective year.

Income Taxes – The Organization has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501c(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made; however, if the Organization should engage in activities unrelated to the purpose for which it was created, taxable income could result. The Organization has no unrelated business income for the years ended June 30, 2021 and 2020.

Advertising – LHRC follows the policy of charging the costs of advertising to expense as incurred. Advertising costs were $32 and $3,784 for the years ended June 30, 2021 and 2020, respectively.

Expense Allocation – Directly identifiable expenses are charges to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Reclassifications – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

NOTE 2: INCOME TAXES

The Organization follows FASB Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The guidance prescribes a recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As of June 30, 2021, and June 30, 2020, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Generally, the tax years before June 30, 2018 are no longer subject to examination by federal, state, or local taxing authorities.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 3: LINE OF CREDIT

The Organization secured a line of credit with a bank during the year. The interest rate was 2.35% at June 30, 2021 and matures in December 2021. The outstanding balance on the line of credit at June 30, 2021 was $0.

NOTE 3: LONG TERM DEBT

The following is a summary of notes payable at June 30, 2021:

A 6% promissory note payable owed to Louisiana Health and Rehab Options, Inc. (LHRO), a related party, in installments of $2,000. Maturity of the long-term debt is $40,551 and is reported in current liabilities in the statement of financial position.	$	40,551
Note payable in the original amount of $32,839 with a 7.74% interest rate and payable in 48 monthly installments of $860, with the last payment due in February 2025, secured by a vehicle.	$	32,839
Total Debt		73,390
Less Current Maturities of Long-Term Note Payable		(48,607)
Long-Term Note Payable	$	24,783

Maturities of long-term debt for the next five years ending June 30 are:

2022	$	48,607
2023		8,702
2024		9,400
2025		6,681
2026		-
TOTAL	$	73,390

Interest paid during the year ending June 30, 2021 and 2020 was $2,081 and $3,596, respectively.

NOTE 4: RELATED PARTY TRANSACTIONS

Johnson Management Group, LLC- LHRC contracts with Johnson Management Group, LLC, a company whose managing member is the Executive Director of LHRC. During the year ending June 30, 2021 and 2020, LHRC paid Johnson Management Group, LLC $421,645 and $355,053 respectively, for administrative personnel, management fees, and other various expenses under these agreements. LHRC has not reimbursed Johnson Management Group, LLC, for any expenses during 2021 and 2020. Johnson Management Group, LLC also bills and collects rents on buildings and submits these collections to the corresponding related party. The amounts collected for the year ending June 30, 2021 and 2020 was $16,800 and $50,800, respectively. Additionally, LHRC owed Johnson Management Group, LLC $171,518 and $159,329 at June 30, 2021 and 2020, respectively.

Temple Properties, LLC- LHRC leases commercial property from Temple Properties, LLC, for the year ended June 30, 2021 and 2020. The Executive Director of LHRC is a member and manager of Temple Properties, LLC. The rental expense incurred under these leases for the year ended June 30, 2021 and 2020 was $45,000 and $52,200, respectively. LHRC owed Temple Properties, LLC $0 and $85,350 for the year ended June 30, 2021 and 2020, respectively. LHRC also paid 3 months of prepaid rent to Temple Properties for the year ended June 30, 2021 in the amount of $11,250. LHRC made no such prepayments to Temple Properties for the year ended June 30, 2020.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 4: RELATED PARTY TRANSACTIONS (CONTINUED)

Louisiana Health & Rehab Options, Inc. (LHRO) – LHRC reimbursed LHRO for purchases made on LHRC's behalf related to fixes assets and operating expenses. The amount paid for the year ended June 30, 2021 and 2020 was $16,035 and $0, respectively. At June 30, 2021 and 2020, LHRC owed LHRO $91,854 and $137,233, respectively.

NOTE 5: OPERATING LEASES

LHRC leases one of its facilities, Reality House, from a related party for $3,750 per month. The lease expires on June 30, 2022. Future minimum lease payments are $45,000. Rent expense for June 30, 2021 and 2020 was $45,000 and $45,000, respectively.

LHRC leases office space from a related party for $1,400 per month. The lease expires on June 30, 2024. Future minimum lease payments are $16,800. Rent expense for June 30, 2021 and 2020 was $16,800 and $16,800, respectively.

LHRC leases a copier on a month-to-month basis for $258 per month plus additional usage charges for the year ended June 30, 2021 and 2020, respectively. Lease expense was $3,088 and $3,318 for the year ended June 30, 2021 and 2020, respectively.

LHRC entered into a lease agreement for a storage facility during the year. The lease is on a month-to month basis for $324 per month. Lease expense was $3,268 and $1,716 for the year ended June 30, 2021 and June 30, 2020, respectively.

NOTE 6: ECONOMIC DEPENDENCY

LHRC derives its revenues from governmental sources as earned revenue or grants, the loss of which would have a material adverse effect on LHRC. During the year ended June 30, 2021 and 2020, revenue derived from governmental sources accounted for 99% and 98% of support recorded by LHRC, respectively.

NOTE 7: CONTINGENCIES

Grants – LHRC receives federal and state contracts for specific purposes that are subject to audit by the agencies. Such audits could lead to requests for reimbursement to the agency for expenditures disallowed under terms of the contract. It is the opinion of management that LHRC's compliance with the terms of contracts will result in negligible, if any, disallowed costs.

Risk Management – Various lawsuits arise in the normal course of LHRC's business. Management believes that losses resulting from these matters, if any, will not have a material effect on the operations or financial position of LHRC.

NOTE 8: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	6/30/2021	6/30/2020
Current Assets, excluding nonfinancial assets	$482,681	$137,131
Less those unavailable for general expenditures within one year:		
Restricted cash	(3,541)	(2,068)
Financial Assets available to meet cash needs for General expenditures within one year	$479,140	$135,063

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LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 9: PPP LOAN #2

During the year, LHRC was granted a loan (the "Loan') in the aggregate amount of $68,000 pursuant to the Paycheck Protection Program under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Loan, which was in the form of a note dated March 19, 2021, issued by the Borrower, bears interest at a rate of 1% per annum, and has a maturity date of March 19, 2026. The note may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before 24 weeks after the initial funding date. The Company intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

The balance due as of June 30, 2021 and June 30,2020 was $68,000 and $0, respectively.

Future maturities for this note are as follows:

Fiscal Year 2022	$ -
Fiscal Year 2023	17,255
Fiscal Year 2024	18,292
Fiscal Year 2025	18,475
Fiscal Year 2026	13,978
	$ 68,000

NOTE 10: ADOPTION OF NEW ACCOUNTING STANDARDS

Effective July 1, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* This ASU was issued to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry specific guidance as well as help financial statements users better understand the nature, amount, timing and uncertainty of revenue that is recognized. Primarily, the update requires the Organization to evaluate the various performance obligations related to its contracts. The adoption of this standard did not result in any changes in the way the Organization recognized revenue and therefore no changes to the previously issued financial statements were required. Based on the review of grant contracts and contribution documentation, management has determined this ASU does not have a significant impact of the financial statements.

Effective July 1, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not for Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.* This ASU was issued to assist in evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. This ASU was also made to assist in determining whether a contribution is conditional. The adoption of ASU 2018-08 did not have a material impact on the Organization's financial statements.

Effective July 1, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) N. 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash.* This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 11: SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 30, 2021, the date the financial statements were available to be issued.

The Organization's operations may be affected by the recent and outgoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's revenues and workforce.

In 2020, LHRC was granted and received a $68,000 loan under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. In July 2021, the Organization received notification from the SBA for the first PPP loan forgiveness applications, informing the Organization that SBA has reached a decision to forgive the entire principal amount of $68,000 of the original PPP loan. LHRC has recognized $68,000 as grant revenue for the year ended June 30, 2021, which represents 100% of the loan proceeds.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD, POLITICAL SUBDIVISION HEAD OR CHIEF EXECUTIVE OFFICER
For the Year Ended June 30, 2021 and 2020

Agency Head Name: Soundra Temple Johnson, Executive Director

	2021	2020
Salary	$50,000	-
Total	$50,000	-

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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*

To the Board of Directors
Louisiana Health and Rehabilitation Center, Inc.
Baton Rouge, Louisiana

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 Louisiana Health and Rehabilitation Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Health and Rehabilitation Center, Inc.'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 Louisiana Health and Rehabilitation Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Louisiana Health and Rehabilitation Center, Inc.'s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Health and Rehabilitation Center, Inc.'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

This report is intended solely for the information and use of management, Louisiana Health and Rehabilitation Center, Inc.'s Board of Directors, others within the entity, the Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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CPAs & Financial Advisors
Baton Rouge, Louisiana
November 30, 2021

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

To the Board of Directors of
Louisiana Health and Rehabilitation Center, Inc.
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Louisiana Health and Rehabilitation Center'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 Louisiana Health and Rehabilitation Center's major federal programs for the year ended June 30, 2021. Louisiana Health and Rehabilitation Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, 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 Louisiana Health and Rehabilitation Center'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 Louisiana Health and Rehabilitation Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Louisiana Health and Rehabilitation Center's compliance.

Opinion on Each Major Federal Program

In our opinion, Louisiana Health and Rehabilitation Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Louisiana Health and Rehabilitation Center 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 Louisiana Health and Rehabilitation Center'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 Louisiana Health and Rehabilitation Center'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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CPAs & Financial Advisors
Baton Rouge, Louisiana
November 30, 2021

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

	Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
	U.S. Department of Health and Human Services		
	Pass-through programs from:		
	Louisiana Department of Health and Hospitals		
	Capital Area Human Services District		
*	Temporary Assistance for Needy Families	93.558	1,353,011
	Total		$ 1,353,011

* Major Program

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal expenditures of the Organization is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of the Title 2 U.S. *Code of Federal Regulations (*CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

The Organization has elected to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE 4: SUBRECIPIENTS

The Organization did not pass through any of its federal awards to a subrecipient during the fiscal year June 30, 2021.

NOTE 5: NON-CASH ASSISTANCE

No federal awards were expended in the form of non-cash assistance during the fiscal year June 30, 2021.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Years Ended June 30, 2021 and 2020

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified Opinion**

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _______ Yes __X__ No

Federal Awards
Internal control over major federal programs:

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

Type of auditors' report issued on compliance for major federal programs: **Unmodified Opinion**

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? _______ Yes __X__ No

Identification of major federal programs:

CFDA Numbers	Federal Program or Cluster
93.558	Temporary Assistance for Needy Families

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

Auditee qualified as low-risk auditee? _______ Yes __X__ No

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LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS*

Internal Control Findings-No Findings Noted

Compliance Findings-No Findings Noted

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No findings related to internal control, which would be required to be reported in accordance with *Government Auditing Standards and the Uniform Guidance*, were noted during the audit.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS*

Internal Control Findings-No Findings Noted

Compliance Findings-No Findings Noted

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No findings related to internal control, which would be required to be reported in accordance with *Government Auditing Standards and the Uniform Guidance*, were noted during the audit.