

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

AUDITED FINANCIAL STATEMENTS
June 30, 2020 and 2019



TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
 FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows.....	6
Notes to Financial Statements	7
 SUPPLEMENTARY INFORMATION	
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	13
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14
Independent Auditors' Report on Compliance for Each Major Program and Internal Control over Compliance Required by OMB Uniform Guidance.....	16
Schedule of Expenditures of Federal Awards.....	18
Notes to the Schedule of Expenditures of Federal Awards.....	19
Schedule of Current Year and Prior Year Findings and Questioned Costs.....	20



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, 2020 and 2019, 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, 2020 and 2019, 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 January 13, 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.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
January 13, 2021



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

(See Notes to Financial Statements)

June 30, 2020 and 2019

ASSETS

	June 30,	
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 65,081	\$ 36,031
Restricted cash	2,068	-
Receivables	69,982	103,011
Prepaid expenses	47,735	40,946
	<u>184,866</u>	<u>179,988</u>
TOTAL CURRENT ASSETS	184,866	179,988
PROPERTY AND EQUIPMENT		
Furniture, Fixtures and Equipment	121,199	136,875
Vehicles	28,500	93,507
Building	1,792	1,792
Leasehold Improvements	86,833	129,715
	<u>238,324</u>	<u>361,889</u>
TOTAL PROPERTY AND EQUIPMENT	238,324	361,889
Less Accumulated Depreciation	<u>(140,316)</u>	<u>(259,171)</u>
	98,008	102,718
NET PROPERTY AND EQUIPMENT	98,008	102,718
OTHER ASSETS	<u>1,041</u>	<u>1,361</u>
TOTAL ASSETS	<u>\$ 283,915</u>	<u>\$ 284,067</u>



TWRU

CPAs & Financial Advisors

LIABILITIES AND NET ASSETS

	June 30,	
	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 11,655	\$ 21,646
Accrued Payroll Liabilities	762	1,120
Accrued Insurance	25,099	21,096
Other Accrued Expenses	23,739	28,757
Amounts Held for Others	2,068	-
Due to Related Parties	381,912	204,456
Current portion of long term debt- PPP	33,730	-
Current portion of long term debt- Related Party	32,956	19,595
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	511,921	296,670
LONG-TERM LIABILITIES		
PPP Note Payable	68,000	-
Notes Payable, Related Party	32,956	52,551
Less current portion of long term debt	(66,686)	(19,595)
	<hr/>	<hr/>
TOTAL LONG-TERM LIABILITIES	34,270	32,956
TOTAL LIABILITIES	546,191	329,626
NET ASSETS		
Without Donor Restrictions:		
Undesignated	(262,276)	(45,559)
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 283,915</u>	<u>\$ 284,067</u>



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENTS OF ACTIVITIES
(See Notes to Financial Statements)
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
SUPPORT AND REVENUES		
Public Support:		
Reality House	\$ 817,278	\$ 727,018
Outpatient Substance Abuse	58,876	351,567
Cooperative Agreement to Benefit Homeless	6,735	55,994
Private Grants	0	62,250
Contributions	1,782	22,015
Interest Income	-	2
Other	5,693	2,560
	<u>890,364</u>	<u>1,221,406</u>
TOTAL SUPPORT AND REVENUES		
	890,364	1,221,406
EXPENSES		
Program Expenses	786,625	980,031
General and Administrative	290,585	334,980
	<u>1,077,210</u>	<u>1,315,011</u>
TOTAL EXPENSES		
	1,077,210	1,315,011
OTHER INCOME (EXPENSES)		
Loss on Disposal of Assets	(29,871)	-
	<u>(29,871)</u>	<u>-</u>
DECREASE IN NET ASSETS		
	(216,717)	(93,605)
NET ASSETS		
BEGINNING OF YEAR	(45,559)	48,046
END OF YEAR	<u>\$ (262,276)</u>	<u>\$ (45,559)</u>

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

(See Notes to Financial Statements)

For the Year Ended June 30, 2020

	2020		Total
	Program Expenditures	General & Administrative	
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

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

(See Notes to Financial Statements)

For the Year Ended June 30, 2019

	2019		
	Program Expenditures	General & Administrative	Total
Automobile Expense	\$ 6,659	\$ -	\$ 6,659
Bad Debt Expense	10,581	34,556	45,137
Background Check	252	-	252
Bank Service Charges	472	964	1,436
Contract for Outside Services	334,515	164,450	498,965
Client Expenses	3,781	-	3,781
Depreciation Expense	7,409	-	7,409
Employee Benefits	3,852	2,112	5,964
Insurance	28,194	68,998	97,192
Interest Expense	246	6,144	6,390
Laboratory Expenses	801	-	801
Licenses	1,603	3,895	5,498
Maintenance, Building and Grounds	16,958	-	16,958
Management Fees	-	13,000	13,000
Miscellaneous Expenses	7	14	21
Office Expenses	4,215	2,496	6,711
Payroll Expenses	376,290	598	376,888
Professional Fees	993	20,786	21,779
Property Taxes	43	-	43
Repairs	7,063	-	7,063
Rent	107,021	16,800	123,821
Storage	1,765	148	1,913
Supplies	11,648	19	11,667
Telephone	21,107	-	21,107
Training	900	-	900
Utilities	33,656	-	33,656
TOTAL	\$ 980,031	\$ 334,980	\$1,315,011



TWRU

CPAs & Financial Advisors

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENTS OF CASH FLOWS
(See Notes to Financial Statements)
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (216,717)	\$ (93,605)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	12,406	7,409
Loss on Disposal of Assets	29,871	-
Decrease (Increase) in Assets:		
Receivables	33,029	26,852
Prepaid expenses and other assets	(6,469)	(1,675)
Increase (Decrease) in Liabilities:		
Accounts payable	(9,991)	(15,261)
Payroll liabilities	(358)	(901)
Accrued Insurance	4,003	(788)
Deferred Revenue	-	(4,500)
Other liabilities	(2,950)	(3,874)
NET CASH USED IN OPERATING ACTIVITIES	<u>(157,176)</u>	<u>(86,343)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(9,067)	(2,500)
Purchase of Vehicles	(28,500)	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(37,567)</u>	<u>(2,500)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(19,595)	(20,157)
Proceeds from PPP Loan	68,000	
Advances from related parties net	177,456	133,799
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>225,861</u>	<u>113,642</u>
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	31,118	24,799
BEGINNING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>36,031</u>	<u>11,232</u>
ENDING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>\$ 67,149</u>	<u>\$ 36,031</u>

The following 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.

Cash and Cash Equivalents, Unrestricted	\$ 65,081	\$ 36,031
Restricted Cash in Current Assets	2,068	-
	<u>\$ 67,149</u>	<u>\$ 36,031</u>

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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, 2020 and 2019.

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.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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 \$12,406 and \$7,409 for years ended June 30, 2020 and 2019, 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, 2020 and 2019.

Advertising – LHRC follows the policy of charging the costs of advertising to expense as incurred. Advertising costs were \$3,784 and \$0 for the years ended June 30, 2020 and 2019, 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: ADOPTION OF NEW ACCOUNTING STANDARDS

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not for Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return. LHRC has implemented ASU 2016-14 and has presented the financial statements accordingly.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 2: ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

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.

NOTE 3: 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, 2020, and June 30, 2019, 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, 2017 are no longer subject to examination by federal, state, or local taxing authorities.

NOTE 4: LONG TERM DEBT

Long-term debt consists of a 6% promissory note payable owed to Louisiana Health and Rehab Options, Inc. (LHRO), a related party, in 46 monthly installments of \$2,000, and maturing March 1, 2021. Maturity of the long-term debt is \$32,956 and is reported in current liabilities in the statement of financial position.

Interest paid during the year ending June 30, 2020 and 2019 was \$3,596 and \$5,411, respectively

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 5: 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, 2020 and 2019, LHRC paid Johnson Management Group, LLC \$342,053 and \$391,470 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 2020 and 2019. 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, 2020 and 2019 was \$54,200 and \$57,600, respectively. Additionally, LHRC owed Johnson Management Group, LLC \$159,329 and \$87,979 at June 30, 2020 and 2019, respectively.

Temple Properties, LLC- LHRC leases commercial property from Temple Properties, LLC, for the year ended June 30, 2020 and 2019. 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, 2020 and 2019 was \$52,200 and \$59,400, respectively. LHRC owed Temple Properties, LLC \$85,350 and \$69,300 for the year ended June 30, 2020 and 2019, respectively.

Louisiana Health & Rehab Options, Inc. (LHRO) – LHRC leased a vehicle from LHRO. The amount paid for the year ended June 30, 2020 and 2019 was \$0 and \$1,500, respectively. At June 30, 2020 and 2019, LHRC owed LHRO \$137,233 and \$47,177, respectively.

NOTE 6: 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, 2021. Future minimum lease payments are \$45,000. Rent expense for June 30, 2020 and 2019 was \$45,000 and \$45,000, respectively.

LHRC leased one of its now closed facilities, Pocahontas location, from a related party for \$1,200 per month. The lease expired on November 30, 2019. Rent expense for June 30, 2020 and 2019 was \$7,200 and \$14,400, respectively.

LHRC leased one of its now closed facilities, Brookstown location, from a related party for \$3,400 per month. The lease expired on June 30, 2020. Rent expense for June 30, 2020 and 2019 was \$34,000 and \$40,800, respectively.

LHRC leases office space from a related party for \$1,400 per month. The lease expires on June 30, 2021. Future minimum lease payments are \$16,800. Rent expense for June 30, 2020 and 2019 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, 2020 and 2019, respectively. Lease expense was \$3,318 and \$3,321 for the year ended June 30, 2020 and 2019, respectively.

LHRC entered into a lease agreement for a storage facility during the year. The lease is on an annual basis for \$152 per month ending February 2021. Lease expense was \$608 for the year ended June 30, 2020. Future minimum lease payments are \$1,216.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 7: 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, 2020 and 2019, revenue derived from governmental sources accounted for 98% and 93% of support recorded by LHRC, respectively.

NOTE 8: 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 9: 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.

	<u>6/30/2020</u>	<u>6/30/2019</u>
Current Assets, excluding nonfinancial assets	\$137,131	\$139,042
Less those unavailable for general expenditures within one year:		
Restricted cash	<u>(2,068)</u>	<u>-</u>
Financial Assets available to meet cash needs for		
General expenditures within one year	<u>\$135,063</u>	<u>\$139,042</u>

NOTE 10: PPP LOAN

The Organization received additional federal funding in the form of a forgivable SBA Loan for the purpose of maintaining the Organization's staffing during the COVID-19 pandemic of 2020. This funding was issued as a loan with stipulations that the loan would be forgivable up to the full loan amount if the funds were used for specified expenditures. No portion of this loan has been forgiven as of June 30, 2020. If the loan is not forgiven, it is payable over 2 years at 1% annual interest.

The balance due as of June 30, 2020 and 2019 was \$68,000 and \$0, respectively.

Future maturities for this note are as follows:

Fiscal Year 2021	\$ 33,730
Fiscal Year 2022	<u>34,270</u>
	<u>\$ 68,000</u>

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 11: SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 13, 2021, the date the financial statements were available to be issued.

The Organization's operations may be affected by the recent and ongoing 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.

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, 2020 and 2019

Agency Head Name: Soundra Temple Johnson, Executive Director

LHRC does not pay any compensation, reimbursements, benefits or other payments to the executive director. There are no reportable amounts as of June 30, 202 and 2019.



TWRU

CPAs & Financial Advisors

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, 2020 and 2019, 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 January 13, 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) to determine the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2019-01.

Louisiana Health and Rehabilitation Center, Inc.'s Response to Findings

Louisiana Health and Rehabilitation Center, Inc.'s response to the findings identified in our audit is described in the accompanying schedules of findings and questioned costs. Louisiana Health and Rehabilitation Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
January 13, 2021



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, 2020. 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, 2020.

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.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
January 13, 2021

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

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	<u>\$ 817,278</u>
Total		<u><u>\$ 817,278</u></u>
* Major Program		



TWRU

CPAs & Financial Advisors

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

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 2020.

NOTE 5: NON-CASH ASSISTANCE

No federal awards were expended in the form of non-cash assistance during the fiscal year 2020.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Years Ended June 30, 2020 and 2019

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

Management Letter

Was a management letter issued? _____ 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
93.558

Federal Program or Cluster
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



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020 and 2019

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

Current Year (June 30, 2020):

No Findings Noted

Prior Year (June 30, 2019):

2019-01 Engagement Completion and Submission

Condition: The financial statements and reports were not timely filed with the Legislative Auditor.

Cause: LHRC was understaffed this past year and was not able to have their books closed at an appropriate time to complete and submit the financial statements by December 31, 2019.

Effect: According to the Legislative Auditor of the State of Louisiana, failure to comply with the six-month statutory submission of the financial reports is a reportable instance of noncompliance with state law.

Criteria: L.R.S. 24:513 provides that the financial statements are to be filed with the Legislative Auditor within six months of the close of the fiscal year.

Auditor's Recommendation: It is recommended that LHRC hire the staff that is needed to have their books closed in a timely manner.

Management Response: Management acknowledges the condition as described above and agrees with the auditor's recommendation.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Current Year (June 30, 2020):

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.

Prior Year (June 30, 2019):

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.