O’BRIEN HOUSE

BATON ROUGE, LOUISIANA

DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
O'Brien House

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of O'Brien House (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of O'Brien House as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of O'Brien House and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate that raise substantial doubt about O'Brien House's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of O'Brien House's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about O'Brien House's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements as a whole. The schedule of compensation, benefits, and other payments to Agency heads is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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 consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023, on our consideration of O'Brien House'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering O'Brien House's internal control over financial reporting and compliance.

L. A. Champagne & Co., LLP

June 30, 2023
Baton Rouge, Louisiana

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Years Ended December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	$ 64,933	$ 286,212
Receivables:		
Grants receivable	50,500	117,977
Program services receivable	9,121	4,193
	59,621	122,170
Prepaid expenses	76,631	68,361
Total current assets	201,185	476,743
PROPERTY AND EQUIPMENT (NET)	1,509,681	1,536,929
OTHER ASSETS		
Receivable from affiliate	153,775	134,012
Loans receivable from affiliate	1,212,951	1,111,984
	1,366,726	1,245,996
Total assets	$ 3,077,592	$ 3,259,668

Continued

	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Short-term loan obligations	$ 58,518	$ 51,866
Current portion of long term debt	58,313	54,898
Accounts payable	120,461	123,874
Payroll withholding payable	6,899	2,887
Accrued salaries	25,299	20,192
Accrued compensated absences	51,500	27,721
Client deposits	5,776	5,776
Total current liabilities	326,766	287,214
LONG-TERM LIABILITIES		
Long term debt, net of current maturities	507,887	533,059
NET ASSETS		
Without donor restrictions	2,107,989	2,301,302
With donor restrictions	134,950	138,093
	2,242,939	2,439,395
Total liabilities and net assets	$ 3,077,592	$ 3,259,668

See accompanying notes to financial statements

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Federal contracts and grants	$ 118,912	$ -	$ 118,912	$ 79,339	$ -	$ 79,339
United Way allocation	82,000	-	82,000	60,000	-	60,000
Grants	85,590	25,000	110,590	70,590	5,000	75,590
Contributions	54,267	-	54,267	43,819	-	43,819
Contributed goods	409,221	-	409,221	260,645	-	260,645
Program services and rent	1,307,527	-	1,307,527	1,166,249	-	1,166,249
Special events	92,914	-	92,914	42,033	-	42,033
Interest income	100,967	-	100,967	84,747	-	84,747
Fee from affiliate	19,763	-	19,763	18,072	-	18,072
Other income	18,989	-	18,989	409,618	-	409,618
	2,290,150	25,000	2,315,150	2,235,112	5,000	2,240,112
Net assets released from restrictions:						
Satisfaction of time and purpose restrictions	28,143	(28,143)	-	25,040	(25,040)	-
	2,318,293	(3,143)	2,315,150	2,260,152	(20,040)	2,240,112
EXPENSES						
Program expenses	2,287,593	-	2,287,593	1,939,889	-	1,939,889
Management and general expenses	178,618	-	178,618	171,654	-	171,654
Fundraising expenses	45,395	-	45,395	16,433	-	16,433
	2,511,606	-	2,511,606	2,127,976	-	2,127,976
Increase (decrease) in net assets	(193,313)	(3,143)	(196,456)	132,176	(20,040)	112,136
Net assets - beginning of year	2,301,302	138,093	2,439,395	2,169,126	158,133	2,327,259
Net assets - end of year	$ 2,107,989	$ 134,950	$ 2,242,939	$ 2,301,302	$ 138,093	$ 2,439,395

See accompanying notes to financial statements

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (196,456)	$ 112,136
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	71,197	72,192
Bad debt expense	31,698	35,062
Amortization of imputed interest on loans payable	23,143	25,040
Amortization of discount on loans receivable	(68,768)	(54,002)
Increase in accrued interest on loans receivable	(32,199)	(30,745)
Decrease in receivables	30,851	51,167
Increase in receivable from affiliate	(19,763)	(18,072)
Increase in prepaid expense	(8,270)	(8,210)
(Decrease) increase in accounts payable	(3,413)	10,175
(Decrease) increase in payroll withholding payable	4,012	(3,692)
Increase (decrease) in accrued salaries	5,107	(38,090)
(Decrease) increase in accrued compensated absences	23,779	(2,490)
Net cash provided by (used in) operating activities	(139,082)	150,471
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment and furnishings acquired	(43,948)	(30,955)
Net cash used in investing activities	(43,948)	(30,955)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal advances on short-term debt	98,318	87,288
Principal payments on short-term debt	(91,667)	(84,403)
Principal payments on long-term debt	(44,900)	(53,576)
Net cash (used in) provided by financing activities	(38,249)	(50,691)
NET CHANGE IN CASH	(221,279)	68,825
Cash and cash equivalents - beginning of year	286,212	217,387
Cash and cash equivalents - end of year	$ 64,933	$ 286,212

See accompanying notes to financial statements

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2022 and 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and contract labor	$ 1,024,083	$ 94,943	$ 22,425	$ 1,141,451	$ 959,629	$ 93,718	$ 15,200	$ 1,068,547
Payroll taxes	72,579	6,451	1,613	80,643	72,215	7,222	802	80,239
Employee benefits	21,106	1,876	469	23,451	17,582	1,758	195	19,535
Food and beverage	445,542	-	-	445,542	321,138	-	-	321,138
Occupancy	186,621	20,736	-	207,357	139,970	15,552	-	155,522
Insurance	90,348	10,039	-	100,387	84,926	9,436	-	94,362
Tax and licenses	666	74	-	740	715	79	-	794
Bad debts	31,698	-	-	31,698	35,062	-	-	35,062
Supplies	64,509	7,168	-	71,677	37,439	4,160	-	41,599
Interest	21,406	2,378	-	23,784	22,887	2,543	-	25,430
Information technology and website	15,080	1,676	-	16,756	10,284	1,143	-	11,427
Accounting and audit	29,914	3,324	-	33,238	26,262	2,918	-	29,180
Vehicle	11,944	1,327	-	13,271	9,866	1,096	-	10,962
Drug testing supplies	4,981	553	-	5,534	2,814	313	-	3,127
Special events	-	-	20,888	20,888	-	-	236	236
Equipment lease and maintenance	6,345	705	-	7,050	6,307	701	-	7,008
Client assistance	14,454	-	-	14,454	-	9,594	-	9,594
Telephone	425	47	-	472	911	101	-	1,012
Dues and memberships	2,287	254	-	2,541	2,010	223	-	2,233
Miscellaneous	80,687	8,965	-	89,652	68,886	7,654	-	76,540
Bank charges	234	26	-	260	45	5	-	50
Mileage	586	65	-	651	182	20	-	202
Pest control	3,693	410	-	4,103	4,725	525	-	5,250
Postage	646	72	-	718	237	26	-	263
Other	93,682	10,409	-	104,091	50,824	5,648	-	56,472
Depreciation	64,077	7,120	-	71,197	64,973	7,219	-	72,192
Total expenses	$ 2,287,593	$ 178,618	$ 45,395	$ 2,511,606	$ 1,939,889	$ 171,654	$ 16,433	$ 2,127,976

See accompanying notes to financial statements

O'BRIEN HOUSE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

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

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

Basis of accounting

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

Basis of presentation

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

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

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

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

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Contributions and grants

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

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

Sources of revenue

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

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

Donated personal services

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

Donated food and supplies

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

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash flow statement
For the purposes of the statement of cash flows, the organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents. Cash paid for interest was $641 and $72 for 2022 and 2021, respectively.

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

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

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

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

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

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

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Revenue recognition
Program services, and fees from affiliate are recognized as revenue when performance obligations under the terms of the contracts with customers are satisfied. To accomplish this, the Organization applies the following five-step process to achieve this core principle:

- Identification of the contract with the member;
- Identification of the performance obligations under the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the identified performance obligations; and
- Recognition of revenue when (or as) an entity satisfies the identified performance obligations.

Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new accounting standards
The Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. The ASU also requires expanded disclosures related to the amount, timing and uncertainty of cash flows arising from leases. The Organization adopted the new standard effective January 1, 2022 using the modified retrospective method. Adoption of this ASU had no impact on total beginning net assets at January 1, 2022.

The Organization also adopted the amendments of ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2022. Adoption of this ASU did not have an impact on net assets.

B: ECONOMIC DEPENDENCY

The Organization receives the majority of its funds provided through government grants and contracts. If significant budget cuts are made at the federal or state level, the amount of funds the Organization receives could be reduced significantly and have an adverse impact on its operations.

Significant among those grants and contracts are the following, reflecting their percent of total revenues provided in 2022 and 2021:

	2022	2021
Medicaid	50%	45%
Department of Health and Human Services	5%	4%

C: CONCENTRATION OF CREDIT RISK

Included in receivables are amounts due from the federal government and the State of Louisiana. The majority of the other receivables are service fees due from local clients. Such receivables are not collateralized. Payment of these amounts is partly dependent upon the strength of the local economy and the availability of federal and state governmental funding for grant programs.

The Organization maintains deposits in a local financial institution with balances at times that may exceed the $250,000 federal insurance provided by the Federal Deposit Insurance Corporation.

D: PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at cost, less accumulated depreciation:

	2022	2021
Land	$ 131,000	$ 131,000
Buildings	2,070,651	2,026,702
Vehicles	43,813	43,813
Equipment	127,329	127,329
Furniture	99,832	99,832
	2,472,625	2,428,676
Less accumulated depreciation	(962,944)	(891,747)
	$ 1,509,681	$ 1,536,929

Depreciation expense for 2022 and 2021 was $71,197 and $72,192, respectively.

E: RESTRICTIONS OF NET ASSETS

Net assets with donor restrictions at December 31, 2022 and 2021, consist of the unamortized portion of imputed interest on below market rate loans in the amount of $109,949 and $133,093, respectively. This imputed interest was previously recorded as contributions with donor restrictions. Amounts are released from restriction as the imputed interest is expensed over the terms of the loans.

The Organization also received grant funds with donor restrictions that have not yet been released from restriction as of December 31, 2022 from the Huey and Angelina Wilson Foundation in the amount of $25,000.

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

	2022	2021
Purpose restriction accomplished:		
Imputed interest	$ 23,143	$ 25,040
Pennington Foundation	5,000	-
Total restrictions released	$ 28,143	$ 25,040

F: SHORT-TERM LOAN OBLIGATIONS

Short-term loan obligations at December 31, 2022 and 2021 consisted of:

	2022	2021
Non interest bearing loan, payable in monthly installments of $6,141 (2022) and $6,182 (2021), secured by unexpired insurance premiums.	$ 58,518	$ 51,866
	$ 58,518	$ 51,866

G: CONTINGENCIES

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

H: LEASE COMMITMENTS

The Organization leases certain office equipment under an agreement classified as operating lease. The lease requires total monthly payments of $130 and will expire in 2023. Lease expense for 2022 and 2021 was $1,560 and $1,560, respectively. The future minimum lease payments required under the operating lease is as follows:

Years Ending December 31,	
2023	$ 1,040
	$ 1,040

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

I: NON-CASH INVESTING AND FINANCING ACTIVITIES

There were no non-cash investing and financing activities in 2022 and 2021.

J: LONG-TERM DEBT

Long-term debt at December 31, 2022 and 2021 consisted of the following:

	2022		
	Gross Balance	Discount	Net
CDBG loan at 0% (imputed interest rate of 6%) payable in annual installments of $20,850, commencing January, 2012. Effective July, 2014 payable in monthly installments of $1,737.	198,176	44,781	153,395
Home program loan at 0% (imputed interest rate of 6%) payable in monthly installments of $2,004, commencing January, 2012.	227,974	55,246	172,728
CDBG loan at 0% (imputed interest rate of 6%) payable in quarterly installments of $2,500, commencing September, 2022.	100,000	9,923	90,077
SBA - EIDL term loan at 2.75% interest payable in 360 monthly installments of $641, commencing February 2023	150,000	-	150,000
	$ 676,150	$ 109,950	566,200
Less current portion			58,313
Long-term portion			$ 507,887

J: LONG-TERM DEBT (Continued)

	2021		
	Gross Balance	Discount	Net
CDBG loan at 0% (imputed interest rate of 6%) payable in annual installments of $20,850, commencing January, 2012. Effective July, 2014 payable in monthly installments of $1,737.	$ 219,026	$ 53,801	$ 165,225
Home program loan at 0% (imputed interest rate of 6%) payable in monthly installments of $2,004, commencing January, 2012.	252,024	66,107	185,917
CDBG loan at 0% (imputed interest rate of 6%) payable in quarterly installments of $2,500, commencing September, 2022.	100,000	13,185	86,815
SBA - EIDL term loan at 2.75% interest payable in 360 monthly installments of $641, commencing February 2023	150,000	-	150,000
	$ 721,050	$ 133,093	587,957
Less current portion			54,898
Long-term portion			$ 533,059

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

2023	$ 37,091
2024	39,219
2025	41,472
2026	43,857
2027	46,385
Thereafter	358,176
	$ 566,200

J: LONG-TERM DEBT (Continued)

Interest expense on all loan obligations for the year ended December 31, 2022 and 2021 was $23,143 and $25,040, respectively.

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

In 2020 an emergency impact disaster loan (EIDL) from the Small Business Administration was granted totaling $150,000 at a stated fixed interest rate of 2.75% for 30 years with payments of $641 per month.

K: RELATED PARTY TRANSACTIONS

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

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

The loans at December 31, 2022 and 2021 are as follows:

	Loan A	Loan B	Total
Loan amount	$ 400,000	$ 500,000	$ 900,000
Amortized discount	-	-	-
Accrued interest	312,951	-	312,951
Payments applied	-	-	-
Present Value - December 31, 2022	$ 712,951	$ 500,000	$ 1,212,951
Loan amount	$ 400,000	$ 500,000	$ 900,000
Amortized discount	(30,658)	(38,108)	(68,766)
Accrued interest	280,750	-	280,750
Payments applied	-	-	-
Present Value - December 31, 2021	$ 650,092	$ 461,892	$ 1,111,984

K: RELATED PARTY TRANSACTIONS (Continued)

Discount amortized in 2022 and 2021 amounts to $100,967 and $84,747, respectively, and is included in interest income.

Under provisions of the SRO's Amended and Restated Operating Agreement, the SRO shall pay to O'Brien House Management, Inc. a management fee in the initial amount of $5,500, cumulative out of available cash flows, to compensate the managing member for managing the SRO's operations and assets and coordinating preparation and filing of reports and returns with the Louisiana Housing Finance Agency, various tax authorities and others. The Company Management Fee increases by 3% each year.

For the year ended December 31, 2022 and 2021, the fee amounted to $9,365 and $9,092 respectively. At December 31, 2022 and 2021, O'Brien House Management, Inc. was owed a total of $153,775 and $134,012, respectively, in accumulated management fees and utility reimbursements.

L: FAIR VALUE MEASUREMENTS

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

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

> Level 1 – inputs are based upon unadjusted quoted prices for identical assets or liabilities traded in active markets.
>
> Level 2 – inputs are based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable

L: FAIR VALUE MEASUREMENTS (Continued)

market data for substantially the full term of assets or liabilities.

Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

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

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

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

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

L: FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets and liabilities measured on a recurring basis at December 31, 2022 and 2021, are as follows:

	Total	Level 1	Level 2	Level 3
December 31, 2022				
Below market rate loans receivable	$ 1,212,951	$ -	$ -	$ 1,212,951
December 31, 2021				
Below market rate loans receivable	$ 1,111,984	$ -	$ -	$ 1,111,984
December 31, 2022				
Below market rate loans payable	$ 416,200	$ -	$ -	$ 416,200
December 31, 2021				
Below market rate loans payable	$ 437,957	$ -	$ -	$ 437,957

The table below presents the changes in fair value for the year ended December 31, 2022 and 2021, in Level 3 instruments that are measured at fair value on a recurring basis.

	Loans Receivable	Loans Payable
Balance at December 31, 2020	$ 1,027,237	$ 463,833
Principal reductions	-	(50,916)
Amortized interest	-	25,040
Accrued interest	30,745	-
Amortized discount	54,002	-
Balance at December 31, 2021	$ 1,111,984	$ 437,957
Principal reductions	-	(44,900)
Amortized interest	-	23,143
Accrued interest	32,199	-
Amortized discount	68,768	-
Balance at December 31, 2022	$ 1,212,951	$ 416,200

M: CONTRIBUTED GOODS

During the years ended December 31, 2022 and 2021, the Organization received the following non-cash contributions that have been reflected as such in the accompanying statement of activities at fair market value. The corresponding expenses are included in the Schedule of Functional Expenses in the appropriate categories:

Category	Expense account charged	2022	2021
Food	Food and beverage	$ 362,214	$ 237,625
Household items	Supplies	47,007	23,020
Total in kind contributions		$ 409,221	$ 260,645

N: REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue related to program services, and fees from affiliate is recognized at a point in time when the Organization meets its performance obligations under the respective grants and program services. As of December 31, 2022 and 2021, there are no performance obligations to be satisfied. Program service are billed monthly and payment is due upon presentation.

Disaggregated Revenue
The Organization disaggregates revenue from contracts with customers into major revenue streams and based on the timing of recognized revenue. The Organization's revenue disaggregated based on timing of the transfer of goods or services is as follows as of December 31, 2022 and 2021:

Recognized at a point in time:

	2022	2021
Program services	$ 1,303,850	$ 1,163,041
Fee from affiliate	19,763	18,072

Contract Balances
The timing of revenue recognition, billings, and cash collections results in contract assets, receivables, and contract liabilities. The Organization's receivables related to contracts with customers amounted to $9,121 as of December 31, 2022 and $4,193 in 2021.

O: LIQUIDITY

The following reflects the Organization's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	2022	2021
Cash	$ 64,933	$ 286,212
Grants receivable	50,500	117,977
Program services receivable	9,121	4,193
Less donor imposed restrictions	(25,000)	(5,000)
Financial assets available to meet cash needs for general expenditure within one year	$ 99,554	$ 425,786

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

P: SUBSEQUENT EVENTS

The Organization is currently engaged in negotiations for the transfer of ownership of the SRO building mentioned in note K. As part of this agreement, the Organization's consideration for the transfer is the outstanding balance of the note receivables initially provided to the SRO for construction cost. As of December 31, 2022, the present value of the note receivables amount to $1,212,951.

Subsequent events were evaluated through June 30, 2023, which is the date the financial statements were available to be issued.

Q: PAYCHECK PROTECTION PROGRAM LOAN

During the year ended December 31, 2021, the Organization received $202,605 in funds from the Paycheck Protection Program (PPP) under the CARES Act and is reported as other income on the consolidated statement of activities. The PPP provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loan and accrued interest was forgiven on October 21, 2021.

SUPPLEMENTAL INFORMATION

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

December 31, 2022

Agency Head Name:	Emily George Tilley Executive Director
Purpose	Amount
Salary	$ 71,241

Kimberly G. Sanders, CPA, MBA
Neal Fortenberry, CPA
Wayne Dussel, CPA, CFE
Jonathan Clark, CPA

L.A. CHAMPAGNE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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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*

The Board of Directors
O'Brien House

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of O'Brien House and its subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 30, 2023.

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

L. A. Champagne & Co., LLP

Baton Rouge, Louisiana
June 30, 2023

O'BRIEN HOUSE
SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2022

A: SUMMARY OF AUDIT RESULTS

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

2. No significant deficiency or material weaknesses in internal controls, relating to the audit of the consolidated financial statements are included in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards.*"

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

4. A management letter was not issued.

B: FINDINGS - FINANCIAL STATEMENTS AUDIT

None

O’BRIEN HOUSE
SCHEDULE OF CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS
Year Ended December 31, 2022

None noted