EISNERAMPER

# ODYSSEY HOUSE LOUISIANA, INC.

## CONSOLIDATED FINANCIAL STATEMENTS

## JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Odyssey House Louisiana, Inc.
New Orleans, Louisiana

## Report on the Audit of the Consolidated Financial Statements

### *Opinion*

We have audited the accompanying consolidated financial statements of Odyssey House Louisiana, Inc. (the Organization), a nonprofit organization, which comprise the consolidated statement of financial position as of June 30, 2023, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Odyssey House Louisiana, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Emphasis of Matter*

As discussed in Note 1 to the consolidated financial statements, the Organization adopted new accounting guidance in connection with its implementation of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). Our opinion is not modified with respect to this matter.

### *Prior Period Financial Statements*

The financial statements of the Organization for the year ended June 30, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on December 27, 2022.

***Responsibilities of Management for the Financial Statements***

Management of the Organization 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 consolidated 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 the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

***Auditors' 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 from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS 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 the Organization'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 consolidated financial statements.

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

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

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer on page 22 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer 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 3, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

EisnerAmper LLP

EISNERAMPER LLP
Metairie, Louisiana
January 3, 2024

# ODYSSEY HOUSE LOUISIANA, INC
# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
# JUNE 30, 2023 AND 2022

## ASSETS

| | 2023 | 2022 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 2,475,128 | $ 2,512,920 |
| Restricted cash | 173 | 171 |
| Patient receivables | 1,316,900 | 914,180 |
| Grants and program receivables | 2,563,343 | 1,266,504 |
| Insurance receivables | - | 264,533 |
| Inventory | 89,301 | 24,561 |
| Prepaid expenses and deposits | 365,116 | 234,750 |
| Total current assets | 6,809,961 | 5,217,619 |
| Property, buildings, and equipment: | | |
| Buildings and improvements | 11,936,106 | 10,955,116 |
| Furniture, fixtures and equipment | 3,066,119 | 2,958,462 |
| Land and improvements | 1,057,575 | 639,809 |
| | 16,059,800 | 14,553,387 |
| Less: accumulated depreciation | (6,091,045) | (5,498,779) |
| Construction in progress | 333,076 | 13,247 |
| Total property, buildings and equipment | 10,301,831 | 9,067,855 |
| Right of Use Assets | 3,536,079 | - |
| Other assets: | | |
| Investments | 17,087 | 15,875 |
| Investment in 2700 Bohn Motor, LLC | 189,705 | 319,344 |
| Total other assets | 206,792 | 335,219 |
| Total assets | $ 20,854,663 | $ 14,620,693 |

## LIABILITIES AND NET ASSETS

| | 2023 | 2022 |
|---|---|---|
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 1,780,056 | $ 1,544,613 |
| Refundable advances | 16,177 | 136,776 |
| Line of credit | - | 839,580 |
| Current maturity of long-term debt | - | 48,317 |
| Operating lease liabilities, current portion | 791,395 | - |
| Total current liabilities | 2,587,628 | 2,569,286 |
| Long-term liabilities: | | |
| Long-term debt, net of current maturities | 760,416 | 2,074,553 |
| Operating lease liabilities, net of current maturities | 2,889,149 | - |
| Total long-term liabilities | 3,649,565 | 2,074,553 |
| Total liabilities | 6,237,193 | 4,643,839 |
| Net assets: | | |
| Without donor restrictions | 14,611,393 | 9,970,777 |
| With donor restrictions | 6,077 | 6,077 |
| Total net assets | 14,617,470 | 9,976,854 |
| Total liabilities and net assets | $ 20,854,663 | $ 14,620,693 |

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

**ODYSSEY HOUSE LOUISIANA, INC**
**CONSOLIDATED STATEMENTS OF ACTIVITIES**
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUES AND OTHER SUPPORT | | | | | | |
| Contributions - cash and other financial assets | $ 42,681 | $ - | $ 42,681 | $ 36,184 | $ - | $ 36,184 |
| Contributions - nonfinancial assets | - | - | - | 35,208 | - | 35,208 |
| Program revenue - cost reimbursement | 8,145,790 | - | 8,145,790 | 4,267,384 | - | 4,267,384 |
| Program revenue - fee for service | 3,682,040 | - | 3,682,040 | 2,471,929 | - | 2,471,929 |
| Patient revenue | 18,596,655 | - | 18,596,655 | 16,416,272 | - | 16,416,272 |
| Investment return | 13,881 | - | 13,881 | 38,721 | - | 38,721 |
| Rental income | 105,179 | - | 105,179 | 62,667 | - | 62,667 |
| Proceeds - business interruption insurance | - | - | - | 264,533 | - | 264,533 |
| Proceeds - other insurance | - | - | - | 1,374,938 | - | 1,374,938 |
| Provider relief funds | - | - | - | 464,798 | - | 464,798 |
| Employee retention credits | 4,453,951 | - | 4,453,951 | - | - | - |
| Gain on sale of property | 639,541 | - | 639,541 | - | - | - |
| Other | 187,589 | - | 187,589 | 112,449 | - | 112,449 |
| Total revenues and other support | 35,867,307 | - | 35,867,307 | 25,545,083 | - | 25,545,083 |
| EXPENSES | | | | | | |
| Program services: | | | | | | |
| Residential/detox services | 16,949,695 | - | 16,949,695 | 13,932,409 | - | 13,932,409 |
| Outpatient/medical services | 6,345,771 | - | 6,345,771 | 5,515,264 | - | 5,515,264 |
| Community and supporting services | 1,449,013 | - | 1,449,013 | 1,353,430 | - | 1,353,430 |
| Prevention | 698,332 | - | 698,332 | 459,198 | - | 459,198 |
| Sobering center | - | - | - | 50,950 | - | 50,950 |
| 340-B Pharmacy | 1,127,693 | - | 1,127,693 | 50,262 | - | 50,262 |
| Supporting activities: | | | | | | |
| Management and general | 4,585,621 | - | 4,585,621 | 3,506,959 | - | 3,506,959 |
| Fundraising | 70,566 | - | 70,566 | 90,022 | - | 90,022 |
| Total expenses | 31,226,691 | - | 31,226,691 | 24,958,494 | - | 24,958,494 |
| Change in net assets | 4,640,616 | - | 4,640,616 | 586,589 | - | 586,589 |
| Net assets, beginning of year | 9,970,777 | 6,077 | 9,976,854 | 9,384,188 | 6,077 | 9,390,265 |
| Net assets, end of year | $ 14,611,393 | $ 6,077 | $ 14,617,470 | $ 9,970,777 | $ 6,077 | $ 9,976,854 |

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

**ODYSSEY HOUSE LOUISIANA, INC.**
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | Program Services | | | | | | Supporting Services | | |
|---|---|---|---|---|---|---|---|---|---|
| | Residential/Detox | Outpatient/Medical | Community and Supporting Services | Prevention | Sobering Center | 340-B Pharmacy | Management and General | Fundraising | Total |
| EXPENSES | | | | | | | | | |
| Compensation | $ 11,218,335 | $ 3,468,967 | $ 426,127 | $ 527,946 | $ - | $ 33,279 | $ 2,649,513 | $ 69,842 | $ 18,394,009 |
| Occupancy | 1,330,634 | 537,134 | 82,792 | 14,476 | - | 19,990 | 101,981 | 724 | 2,087,731 |
| Equipment | 7,260 | 1,445 | 2,776 | - | - | - | 2,736 | - | 14,217 |
| Copying and printing | 43,525 | 12,483 | 2,594 | 3,238 | - | - | 11,512 | - | 73,352 |
| Insurance | 496,838 | 206,215 | 63,914 | 7,811 | - | 13,045 | 96,660 | - | 884,483 |
| Kitchen | 1,282,938 | 380,190 | - | 2,314 | - | 867 | 385 | - | 1,666,694 |
| Development | 4,480 | 137,057 | - | 5,649 | - | - | 58,161 | - | 205,347 |
| Shipping and postage | 348 | 20 | 186 | 132 | - | - | 4,423 | - | 5,109 |
| Repairs and maintenance | 60,616 | 46,322 | 10,941 | - | - | - | 1,926 | - | 119,805 |
| Supplies | 475,458 | 129,311 | 3,689 | 70,883 | - | 868,855 | 85,107 | - | 1,633,303 |
| Staff training and other | 60,215 | 25,937 | 993 | 3,986 | - | - | 179,273 | - | 270,404 |
| Staff travel | 19,767 | 21,854 | - | 999 | - | 325 | 156,639 | - | 199,584 |
| Client specific assistance | 135,963 | 97,879 | 644,803 | - | - | 10 | 244 | - | 878,899 |
| Vehicles | 35,641 | 13,025 | 11,223 | 248 | - | - | 13,531 | - | 73,668 |
| Contract services | 1,351,301 | 919,250 | 43,633 | 59,948 | - | 190,002 | 1,077,386 | - | 3,641,520 |
| Special events | - | - | - | - | - | - | 1,072 | - | 1,072 |
| Miscellaneous | 22,376 | 25,278 | 1,500 | - | - | 1,320 | 58,171 | - | 108,645 |
| Interest | 55,756 | 42,892 | - | - | - | - | 66,277 | - | 164,925 |
| Subtotal | 16,601,451 | 6,065,259 | 1,295,171 | 697,630 | - | 1,127,693 | 4,564,997 | 70,566 | 30,422,767 |
| Depreciation expense | 348,244 | 280,512 | 153,842 | 702 | - | - | 20,624 | - | 803,924 |
| Total expenses | $ 16,949,695 | $ 6,345,771 | $ 1,449,013 | $ 698,332 | $ - | $ 1,127,693 | $ 4,585,621 | $ 70,566 | $ 31,226,691 |

The accompanying notes are an integral part of this financial statement.

**ODYSSEY HOUSE LOUISIANA, INC.**
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**
**FOR THE YEAR ENDED JUNE 30, 2022**

| | Program Services | | | | | | Supporting Services | | |
|---|---|---|---|---|---|---|---|---|---|
| | Residential/Detox | Outpatient/Medical | Community and Supporting Services | Prevention | Sobering Center | 340-B Pharmacy | Management and General | Fundraising | Total |
| EXPENSES | | | | | | | | | |
| Compensation | $ 8,838,810 | $ 3,054,854 | $ 487,920 | $ 318,685 | $ 13,055 | $ - | $ 2,002,048 | $ 88,979 | $ 14,804,351 |
| Occupancy | 911,082 | 404,415 | 76,737 | 15,326 | 2,817 | 4,329 | 89,009 | 1,043 | 1,504,758 |
| Equipment | 9,348 | 4,647 | 1,782 | - | - | 17,460 | 225 | - | 33,462 |
| Copying and printing | 32,514 | 30,707 | 743 | 1,194 | - | 42 | 8,435 | - | 73,635 |
| Insurance | 256,098 | 127,214 | 38,990 | 6,688 | 32,563 | 16,669 | 95,561 | - | 573,783 |
| Kitchen | 1,083,502 | 346,530 | - | - | - | - | - | - | 1,430,032 |
| Development | 668 | 87,610 | 32 | 9,891 | - | - | 18,272 | - | 116,473 |
| Shipping and postage | 202 | 282 | - | - | - | - | 3,751 | - | 4,235 |
| Repairs and maintenance | 44,642 | 37,790 | 6,880 | 666 | 386 | - | 5,706 | - | 96,070 |
| Supplies | 339,009 | 166,415 | 3,152 | 45,333 | 300 | 1,304 | 606,054 | - | 1,161,567 |
| Staff training and other | 115,195 | 64,957 | 1,301 | 3,079 | 1,829 | - | 178,561 | - | 364,922 |
| Staff travel | 23,204 | 10,693 | 22 | 1,423 | - | - | 105,887 | - | 141,229 |
| Client specific assistance | 87,722 | 36,543 | 599,623 | - | - | 210 | - | - | 724,098 |
| Vehicles | 19,326 | 6,608 | 9,383 | 418 | - | - | 8,676 | - | 44,411 |
| Contract services | 1,752,378 | 854,328 | 22,501 | 54,206 | - | 1,581 | 283,143 | - | 2,968,137 |
| Special events | 50 | - | - | - | - | - | 7,883 | - | 7,933 |
| Miscellaneous | - | 21,360 | 1,500 | 92 | - | 8,667 | 56,348 | - | 87,967 |
| Interest | 106,221 | 11,164 | - | - | - | - | 3,648 | - | 121,033 |
| Subtotal | 13,619,971 | 5,266,117 | 1,250,566 | 457,001 | 50,950 | 50,262 | 3,473,207 | 90,022 | 24,258,096 |
| Depreciation expense | 312,438 | 249,147 | 102,864 | 2,197 | - | - | 33,752 | - | 700,398 |
| Total expenses | $ 13,932,409 | $ 5,515,264 | $ 1,353,430 | $ 459,198 | $ 50,950 | $ 50,262 | $ 3,506,959 | $ 90,022 | $ 24,958,494 |

The accompanying notes are an integral part of this financial statement.

**ODYSSEY HOUSE LOUISIANA, INC**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ 4,640,616 | $ 586,589 |
| Adjustments to reconcile the change in net assets to net cash provided by operating activities: | | |
| Depreciation expense | 803,924 | 700,398 |
| Unrealized loss (gain) on investments | 128,427 | 7,588 |
| (Gain) loss on sales and disposal of assets | (639,541) | 155 |
| Non-cash lease expense | 144,465 | - |
| Changes in operating assets and liabilities: | | |
| Receivables | (1,435,026) | 289,876 |
| Inventory | (64,740) | - |
| Prepaid expenses and deposits | (130,366) | (116,494) |
| Accounts payable and accrued expenses | 235,443 | (500,776) |
| Refundable advances | (120,599) | 98,559 |
| Net cash provided by operating activities | 3,562,603 | 1,065,895 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from sale of investments | - | 225,000 |
| Purchases of property, buildings and equipment | (2,410,414) | (68,433) |
| Proceeds from sale of property | 1,012,055 | - |
| Net cash provided by (used in) investing activities | (1,398,359) | 156,567 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from draws on line of credit | 950,000 | 966,279 |
| Payments on line of credit | (1,789,580) | (620,350) |
| Proceeds from issuance of note payable | 359,500 | 1,500,000 |
| Payments on note payable | (1,721,954) | (1,534,015) |
| Net cash provided by (used in) financing activities | (2,202,034) | 311,914 |
| Net change in cash, cash equivalents, and restricted cash | (37,790) | 1,534,376 |
| Cash, cash equivalents, and restricted cash, beginning of year | 2,513,091 | 978,715 |
| Cash, cash equivalents, and restricted cash, end of year | $ 2,475,301 | $ 2,513,091 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid for interest | $ 160,135 | $ 121,033 |
| Reconciliation of cash, cash equivalents, and restricted cash | | |
| Cash and cash equivalents | $ 2,475,128 | $ 2,512,920 |
| Restricted cash | 173 | $ 171 |
| | $ 2,475,301 | $ 2,513,091 |

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

## 1. Summary of Significant Accounting Policies

Organization

Odyssey House Louisiana, Inc. ("OHL" or the "Organization") is a nonprofit corporation organized under the laws of the State of Louisiana. OHL was established in 1973 as a non-profit residential substance abuse treatment facility with the mission of empowering people to conquer addiction in Louisiana. OHL offers a professional, structured, and caring therapeutic community with comprehensive services and effective support systems that enable individuals to chart new lives and return to their communities as contributing members. OHL's primary source of revenue is from state and federal contracts and grant programs.

Principles of consolidation

The consolidated financial statements include the financial information of OHL. Also included in the consolidated financial statements is OHL Bohn Building, LLC ("OHL Bohn"), a wholly-owned Louisiana limited liability company (see Note 6), as well as OHL North Tonti, LLC, a 99% owned Louisiana limited liability company (see Note 12). All significant intercompany transactions and balances have been eliminated upon consolidation.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies followed in the preparation of the accompanying consolidated financial statements are described below.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and changes in net assets according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

Net assets, revenues and other support are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor or certain grantor-imposed restrictions. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

*Net assets with donor restrictions* - Net assets subject to donor or certain grantor-imposed restrictions. Some donor 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets with donor restrictions totaled $6,077 at June 30, 2023 and 2022.

Contributions are received and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

1. **Summary of Significant Accounting Policies** (continued)

Cash, Cash Equivalents, and Restricted Cash

For purposes of the statements of cash flows, the Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. At June 30, 2023 and 2022, the Organization was holding restricted cash of $173 and $171, respectively. Its use is restricted to expenditures as specified by various grant agreements.

Receivables

The Organization extends credit to patients, as well as to third-party intermediaries responsible for services provided to patients. Patient receivables are recorded at net realizable value and consist of amounts due for services rendered to patients. Management determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. At June 30, 2023, management's estimate of implicit price concessions (allowance for doubtful accounts) was $125,022. At June 30, 2022, management believed all receivables to be fully collectible; therefore, an allowance for doubtful accounts was not been established. For the years ended June 30, 2023 and 2022, the bad debt expense (implicit price concessions) was $1,850,407 and $521,348, respectively and is reported as a component of patient revenue.

Grant and program receivables consist of amounts owed from various federal, state, and local government agencies for grants and fees for service programs.

Inventory

Inventory consisted of pharmacy items and food purchased in connection with the long-term care provided to clients and is accounted for at lower of cost or net realizable value on the first-in first-out (FIFO) basis.

Property, Buildings, and Equipment

Property, buildings, and equipment are recorded at cost. Donations of assets are recorded at estimated fair market value on the date of donation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line basis over three to thirty years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities.

It is the policy of the Organization to capitalize all property, buildings, and equipment that are acquired with a cost that exceeds $5,000. Costs incurred for repairs and maintenance that do not improve or extend the useful lives of the respective assets are expensed as incurred.

We review the carrying values of property, buildings, and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the assets. There were no indicators of impairment of property, buildings, and equipment at June 30, 2023 or 2022.

The Organization's construction in progress at June 30, 2023 and 2022 related to renovations and new construction at the Organization's facilities. The Organization has an ongoing construction contract totaling approximately $1.67 million at June 30, 2023. As of June 30, 2023, approximately $1.49 million of the contract remains and is estimated to be paid in future fiscal years as the construction is completed.

**1. Summary of Significant Accounting Policies** (continued)

Leases

Effective July 1, 2022, the Organization accounts for leases in accordance with ASU 2016-02, Leases (Topic 842), which requires the recognition of right-of-use ("ROU") assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. The Organization determines if an arrangement is a lease at the inception of the contract. For leases with terms greater than twelve months, right-of-use assets and lease liabilities are recognized at the contract commencement date based on the present value of lease payments over the lease term. Right-of-use assets represent the Organization's right to use the underlying asset for the lease term. Lease liabilities present the Organization's obligation to make lease payments arising from these contracts. The Organization uses a risk-free rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that such options will be exercised.

Lease agreements may include rental escalation clauses or renewal options that are factored into management's determination of lease payments, when appropriate. The estimated useful life of right-of-use (ROU) assets is limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise. The Organization's lease agreements generally do not contain any material residual value guarantees, restrictions, or covenants.

The Organization has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this practical expedient to all relevant asset classes. Additionally, the Organization elected transition provisions available which allowed the carryforward of the Organization's historical assessments of whether contracts contain leases, the lease classification, and the treatment of initial direct costs.

The Organization has elected the short-term lease exemption for all leases with a term of twelve months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statements of financial position. For the years ended June 30, 2023 and 2022, unrealized gains (losses) on investments are included in the statements of activities.

Compensated Absences

Full time employees are allowed to accrue paid time off based on employment level as follows: staff up to 80 hours, managers up to 100 hours, and CEO up to 160 hours. The liability associated with compensated absences was $411,553 and $343,217, respectively, at June 30, 2023 and 2022. Compensated absences are included in accounts payable and accrued expenses in the consolidated statements of financial position.

**1. Summary of Significant Accounting Policies** (continued)

Revenue and Revenue Recognition

*Contributions, Grants, and Other Program Revenue*

The Organization recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Grant revenue is recognized as it is earned in accordance with approved contracts. Grants for fee income are recorded as net assets without donor restrictions in the statements of activities. Grantor-restricted support is reported as an increase in net assets without donor restrictions in the statements of activities if the grantor restrictions expire or are met in the same reporting period in which the revenue is recognized.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. As of June 30, 2023, the Organization has been awarded cost –reimbursable grants of approximately $11,935,000 which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Of this amount, the conditional grant commitments that are not recognized in the June 30, 2023 consolidated financial statements consisted of conditional cost-reimbursement grants awarded by government agencies of approximately $3,061,000.

Fee for service program revenue represents the estimated net realizable amounts due from third party payors for services rendered. Revenues are recorded during the period the services are provided based upon the estimated amounts due from payors and in accordance with third party contracts. Receivables are recorded at estimated net realizable value, based on stated contract rates with third party payors. Accounts receivable are due in full when billed. Interest is not charged on past due accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed or when the accounts reach approximately 90 days old. Management has determined that there was no allowance for uncollectible accounts related to these fee for service programs at June 30, 2023 and 2022.

*Patient Service Revenue*

Patient service revenue represents the estimated net realizable amounts due for services rendered based on estimated contractual reimbursement percentage, which is based on current contract prices or historical paid claims data for each payor. Revenues are recorded during the period the services are provided (patient visits) or at the point of sale (pharmacy) based upon the estimated amounts due from payors and in accordance with third party contracts. During 2023, approximately 92% of the Organization's patient revenues are delivered over time (patient visits), and approximately 8% are recognized at a point in time (pharmacy). During 2022, substantially all of the Organization's patient revenues are delivered over time (patient visits). Receivables are recorded at estimated net realizable value, based on stated contract rates with third party payors. Accounts receivable are due in full when billed. Interest is not charged on past due accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed or when the accounts reach approximately 90 days old. During 2023, approximately 97.1% of the Organization's patient revenue is related to Medicaid, and approximately 2.9% relates to commercial and other payors. During 2022, approximately 99.8% of the Organization's patient revenue is related to Medicaid, and approximately 0.2% relates to commercial and other payors. The Organization has no contract assets at June 30, 2023 and 2022.

**1. Summary of Significant Accounting Policies** (continued)

The Organization reports revenues from patient services at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care or prescriptions provided to the patient. These amounts are primarily due from patients and governmental programs. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on daily per diem rates or other agreed-upon rates allowed by third party payor contracts. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Organization measures the performance obligation from admission into the Organization, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services which is generally less than one day. The Organization does not have performance obligations that are unsatisfied or partially unsatisfied at June 30, 2023 and 2022.

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time that payment is received for that service will be one year or less.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period (if any). The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days of the end of the reporting period.

Laws and regulations governing the Medicaid program are complex and subject to interpretation. The estimated reimbursement amounts are made on a payor-specific basis and are recorded based on the best information available regarding management's interpretation of the applicable laws, regulations and contract terms. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in commercial contractual terms resulting from contract renegotiations and renewals. Due to the complexities involved in the classification and documentation of patient care services authorized and provided, the estimation of revenues earned and the related reimbursement are often subject to interpretations that could result in payments that are different from the Organization's estimates.

Contributions of Nonfinancial Assets (In-Kind Contributions)

The Organization recognized revenue of $35,208 during the year ended June 30, 2022 related to contributions of supplies. These items are recorded as contributions based on their fair value as of the date of the contribution. Fair value was estimated based on the price the donor sells these supplies to other organizations. These contributed supplies were utilized in the Organization's programs. There were no in-kind contributions reported in the statements of activities for the year ended June 30, 2023.

**1. Summary of Significant Accounting Policies** (continued)

Functional Allocation of Expenses

The expenses of providing the programs and other activities have been summarized on a functional basis between program services and supporting activities in the statements of activities and functional expenses by nature and class. Accordingly, certain costs have been allocated among program services and supporting activities benefitted. Such allocations are determined by management on an equitable basis.

Income Taxes

The Organization is a nonprofit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of R.S. 47:121(5).

The Organization applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits or liabilities that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. The Organization has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with more than a 50% likelihood of being sustained upon examination by the taxing authorities.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the standard effective July 1, 2022, using the modified retrospective method of adoption. The Organization elected to use the transition option that allows an organization to apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment (if any) to the opening balance of net assets in the year of adoption. Comparable periods continue to be presented under the guidance of the previous standard. The standard had a material impact on the 2023 statement of financial position but did not have a significant impact on the statement of activities and changes in net assets, the statement of functional expenses, or the statement of cash flows. There was no adjustment to the opening balance of net assets as a result of the adoption. Amounts recognized on the statements of financial position at July 1, 2022 related to ROU assets and lease liabilities were approximately $4,300,000.

## 2. Availability and Liquidity

The Organization's financial assets available for general expenditures within one year as of June 30 consist of the following:

| | 2023 | 2022 |
|---|---|---|
| Financial Assets as of: | | |
| Cash and cash equivalents | $ 2,475,128 | $ 2,512,920 |
| Restricted cash | 173 | 171 |
| Patient receivables | 1,316,900 | 914,180 |
| Grants and program receivables | 2,563,343 | 1,266,504 |
| Insurance receivable | - | 264,533 |
| Investments | 17,087 | 15,875 |
| Investments in 2700 Bohn Motor, LLC | 189,705 | 319,344 |
| Total Financial Assets | 6,562,336 | 5,293,527 |
| Less amounts not available to be used in one year: | | |
| Restricted cash | 173 | 171 |
| Net assets with donor restrictions | 6,077 | 6,077 |
| Investment in LLC | 189,705 | 319,344 |
| Board designated funds for future use | 1,649,636 | 239,616 |
| | 1,845,591 | 565,208 |
| Financial assets available to meet general expenditures over the next twelve months | $ 4,716,745 | $ 4,728,319 |

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. The Organization has a line of credit available to meet cash needs (see Note 8).

## 3. Board of Directors Compensation

The board of directors is a voluntary board and, therefore, no compensation was paid to any board member during the year ended June 30, 2023 or 2022.

## 4. Patient Receivables

The Organization’s patient receivables at June 30, 2023 and 2022 relate to third party reimbursements expected to be received from the various payors as follows:

| | 2023 | 2022 |
|---|---|---|
| Medicaid | $ 1,176,296 | $ 903,764 |
| Commercial | 127,620 | - |
| Medicare | 5,207 | 10,416 |
| Self pay | 7,777 | - |
| Total | $ 1,316,900 | $ 914,180 |

## 5. Receivables from Government Grants and Programs

The Organization had the following grants receivable as of June 30:

| | 2023 | 2022 |
|---|---|---|
| Health Resources & Services Administration | $ 380,409 | $ 414,958 |
| Louisiana Clincial Services | 1,325,139 | 380,612 |
| Substance Abuse & Mental Health Services Administration | 124,603 | 114,181 |
| State of Louisiana | 124,216 | 157,245 |
| Unity of Greater New Orleans | 64,868 | 135,018 |
| City of New Orleans | 388,263 | - |
| Other | 155,845 | 64,490 |
| Total | $ 2,563,343 | $ 1,266,504 |

## 6. Investments

At June 30, 2023 and 2022, investments consisted of a mutual fund and an equity investment in a Louisiana limited liability company accounted for under the equity method.

At June 30, 2023 and 2022, the mutual fund has a cost of $6,077 and $6,077, respectively, and a fair value of $17,087 and $15,875, respectively. The mutual fund was created with an initial investment of $6,077 into an endowment fund administered by the Greater New Orleans Foundation (GNOF). Annually, GNOF distributes a portion of the earnings to the Organization while maintaining the integrity of the corpus. At June 30, 2023, $6,077 and $11,010 of the mutual fund's balance is reported as with donor restrictions and without donor restrictions, respectively. At June 30, 2022, $6,077 and $9,798 of the mutual fund's balance is reported as with donor restrictions and without donor restrictions, respectively.

In August 2017, the Organization became a member of OHL Bohn Building LLC (“OHL Bohn”), a Louisiana limited liability company. The Organization is the sole member of OHL Bohn. Also, in August 2017, OHL Bohn became a partner in 2700 Bohn Motor, LLC (“Bohn Motor”), a Louisiana limited liability company. OHL Bohn has a 0.50% interest in Bohn Motor. Bohn Motor’s purpose is to acquire real property located at 2700 S Broad Street in New Orleans, Louisiana and to obtain financing for its redevelopment. OHL Bohn's capital balance in Bohn Motor as of June 30, 2023 and 2022 is $189,705 and $319,344, respectively, which is reported as investments on the statements of financial position. There were no indicators of impairment on this investment during the years ended June 30, 2023 or 2022.

## 7. Fair Value of Investments

FASB ASC 820 establishes a fair value hierarchy which prioritizes inputs to valuation techniques used to measure fair value. The term “inputs” refers broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be based on independent market data (“observable inputs”) or they may be internally developed (“unobservable inputs”). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad categories. These levels include Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as the quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of the unobservable inputs.

**7. Fair Value of Investments** (continued)

Certificates of deposit are valued at cost which approximates fair value.

The value of the Organization's investments in the Greater New Orleans Foundation pooled assets are based on information provided by the Greater New Orleans Foundation using net asset value (NAV) as the primary input to measure fair value.

There have been no changes in the methodology used as of June 30, 2023 or 2022. The method described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a schedule of investments held by the Organization at June 30, 2023, including the fair value detailed by level of measurement.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| GNOF investment pool | $ - | $ 17,087 | $ - | $ 17,087 |
| Total | $ - | $ 17,087 | $ - | $ 17,087 |

The following is a schedule of investments held by the Organization at June 30, 2022, including the fair value detailed by level of measurement.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| GNOF investment pool | $ - | $ 15,875 | $ - | $ 15,875 |
| Total | $ - | $ 15,875 | $ - | $ 15,875 |

**8. Line of Credit**

At June 30, 2023, the Organization had a $3,000,000 line of credit with Hancock Whitney Bank. The line carried an interest rate of 5.25% at June 30, 2023 with a maturity date of July 29, 2023. The line of credit was collateralized by all Organization accounts including grant receivables as well as equipment and contained various covenants. There was no outstanding balance on the line of credit at June 30, 2023. The outstanding balance at June 30, 2022 was $839,580. The line of credit was renewed subsequent to year end, on July 29, 2023 with a maturity date of July 29, 2024.

## 9. Notes Payable

At June 30, 2023 and 2022, the Organization has the following notes payable:

| | 2023 | 2022 |
|---|---|---|
| Promissory note with Gulf Coast Housing Partnership, Inc.; interest at 0% per annum; collateralized by the Organization's property at 4730 Washington Avenue and 2830 Bell Street; stated maturity of the earlier of December 2, 2049 or upon the sale or refinancing of specific properties (see Note 13). | $ 760,416 | $ 760,416 |
| Promissory note with a financial institution; interest at 4.65% per annum; collateralized by the Organization's property; payable in 119 monthly payments of $9,668 and one final payment of the remaining balance due in July 2031. This note was paid in full by the Organization during the fiscal year ended June 30, 2023. | - | 1,362,454 |
| Total notes payable | $ 760,416 | $ 2,122,870 |

Future maturities of notes payable are as follows at June 30, 2023:

| Fiscal Year | Amount |
|---|---|
| 2024 | $ - |
| 2025 | - |
| 2026 | - |
| 2027 | - |
| 2028 | - |
| Thereafter | 760,416 |
| Total | $ 760,416 |

## 10. Net Assets

Net assets with donor restrictions in the amount of $6,077 (in perpetuity) were for the Organization's substance abuse programs as of June 30, 2023 and 2022.

Net assets without donor restrictions included $1,649,636 and $239,616 of board designated funds for future use as of June 30, 2023 and 2022, respectively.

## 11. Retirement Plan

The Organization has a 401(k) profit sharing plan that provides for discretionary matching contributions determined by the employer covering all full-time employees at least twenty-one years of age with one year of eligible experience. For the years ended June 30, 2023 and 2022, contributions to the plan were $287,803 and $248,569, respectively.

## 12. Related Party Transaction

In December of 2017 the Organization became a partner in OHL North Tonti, LLC, a Louisiana limited liability company (taxed as a partnership). OHL North Tonti, LLC has two members, the Organization at 99% and Edward Carlson, the Organization's CEO (a related party), at 1%. On December 28, 2017 the Organization signed a ground lease agreement with OHL North Tonti, LLC for property located at 1125 N Tonti, Street and 2426, 2432 and 2434 Governor Nichols St. The ground lease is for 99 years ending on December 27, 2116 with the monthly lease amount stated to be $100.

## 13. Commitments

The loan with Gulf Coast Housing Partnership (GCHP) was executed on December 1, 2019 in the amount of $760,416 with a zero percent interest rate with a stated maturity of the earlier of December 2, 2049 or upon sale or refinancing of the property. This loan is also secured by all of the Organization's property. The Organization paid a $10,000 origination fee to secure the funds and is required to pay an additional $10,000 per year for four more years (maximum $50,000). As long as the Organization continues to operate as it is now, no payments are required to be made on this loan, and at the end of 49 years, the maturity will extend an additional 49 years in perpetuity.

During the fiscal years ended June 30, 2023 and 2022 the Organization held a contract with Imperial Calcasieu Human Services Authority (ImCal) to operate a licensed Substance Abuse Rehabilitation Treatment Center in Lake Charles, Louisiana. The license is provided by the Louisiana Department of Health and Human Services (DHH). The contract with ImCal was renewed on July 1, 2023 and expires in June 2025. The DHH license includes capacity at the facility of 46 beds. The agreement provides that ImCal is responsible for major repairs and the Organization is responsible for minor repairs, supplies and general upkeep.

## 14. Leases

The Organization has operating lease agreements for the rental of office space and equipment at varying terms. Amounts recognized at July 1, 2022, related to ROU assets and related lease liabilities were approximately $4,300,000.

Other information related to leases is as follows as of and for the year ended June 30, 2023:

| | | |
|---|---|---|
| Operating cash flows from operating leases | $ | 783,301 |
| ROU assets obtained in exchange for lease obligations | $ | 1,002,184 |
| Weighted average remaining lease term | | 4.45 Years |
| Weighted average discount rate | | 2.88% |
| Operating lease cost | $ | 783,301 |
| Short-term lease cost | | 215,381 |
| Total operating lease cost | $ | 998,682 |

As lessee, operating lease liability under non-cancellable leases (excluding short-term) leases are as follows:

| **Years Ending June 30:** | | |
|---|---|---|
| 2024 | $ | 871,442 |
| 2025 | | 956,670 |
| 2026 | | 915,561 |
| 2027 | | 912,444 |
| 2028 | | 262,661 |
| Total lease payments | $ | 3,918,778 |
| Less: interest | | (238,234) |
| | $ | 3,680,544 |

Lease costs for the fiscal year ended June 30, 2022 totaled $768,261.

## 15. Concentration Risk and Contingencies

The Organization maintains cash balances and certificates of deposit at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. From time to time the amounts on deposit may exceed the federally insured limits. Management believes the credit risk associated with these deposits is minimal.

The Organization receives the majority of its revenue from funds provided through state and federal contracts and grant programs. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or the state level, the amount of funds the Organization receives could be reduced significantly and have an adverse impact on its operations.

The Organization is involved in certain claims and legal actions arising in the normal course of activities. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial position.

The Organization is reimbursed on a per diem basis on rates set by the Medicaid program of the State of Louisiana. If there was an overpayment due to an error in setting the rate, the State could pursue recoupment. Since the number of beds eligible for state funding exceeded those submitted for reimbursement, management does not believe a change in rate would results in any retroactive adjustment.

As part of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), the Organization received $40,575 and $464,798 in Provider Relief Funds during 2023 and 2022, respectively. These funds are not required to be repaid provided the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using these funds to reimburse expenses or losses that other sources are obligated to reimburse. The Organization does not expect to repay funds received; thus, the amount received is recognized in grants and contracts revenue in the Statements of Activities.

## 16. Insurance Claims

The Organization had claims with its insurance providers related to Winter Storm Uri in February 2021 and Hurricane Ida in August 2021. The Organization received $0 and $264,533 in business interruption claim proceeds during the years ended June 30, 2023 and 2022, respectively. Additionally, the Organization received $1,374,938 during the year ended June 30, 2022 related to general property and equipment and other claims. As of June 30, 2022, the Organization was notified of an additional claim payment. Thus, the remaining portion was recognized in the consolidated statements of financial position as insurance receivables at June 30, 2022. Amounts recorded as receivables at June 30, 2022 were received during the fiscal year ended June 30, 2023.

## 17. Employee Retention Tax Credit

On March 27, 2021, the CARES Act was signed into law by the United States Federal Government. The Company determined it was eligible for refundable employee retention credits ("ERCs") available under the CARES Act. The Company determined it was eligible for and claimed approximately $4.5 million in ERCs, which is reported in revenues and other support in the consolidated statement of activities for the year ended June 30, 2023.

## 18. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, January 3, 2024, and determined that no additional events occurred that require disclosure. No events after this date have been evaluated for inclusion in these consolidated financial statements.

## SUPPLEMENTARY INFORMATION

**ODYSSEY HOUSE LOUISIANA, INC.**

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER**

**YEAR ENDED JUNE 30, 2023**

**Agency Head Name:** Ed Carlson, Chief Executive Officer

| Purpose | | Amount |
|---|---|---|
| Salary | $ | 357,034 |
| Car allowance | | 7,500 |
| Benefits-health/dental/vision insurance | | 15,592 |
| Benefits-retirement | | 12,145 |
| Benefits-group life/disability insurance | | 2,778 |
| Payroll taxes | | 16,926 |
| Reimbursements | | 2,365 |
| Total | $ | 414,340 |

See accompanying independent auditors' report.

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# 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 *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Odyssey House Louisiana, Inc.
New Orleans, 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 (*Government Auditing Standards*), the consolidated financial statements of Odyssey House Louisiana, Inc. (the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, 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 January 3, 2024.

**Report on Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weaknesses.

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 organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

***Odyssey House Louisiana, Inc.'s Response to Finding***

*Government Auditing Standards* require the auditor to perform limited procedures on the Organization's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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.

EisnerAmper LLP

EISNERAMPER LLP
Metairie, Louisiana
January 3, 2024

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# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors
Odyssey House Louisiana, Inc.
New Orleans, Louisiana

## Report on Compliance for Each Major Federal Program

### *Opinion on Each Major Federal Program*

We have audited Odyssey House Louisiana, Inc.'s (the Organization's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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, 2023.

### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards")*; 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

### *Responsibilities of Management for Compliance*

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

***Auditors' Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

**Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the consolidated financial statements of the Organization as of and for the year ended June 30, 2023, and have issued our report thereon dated January 3, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

EisnerAmper LLP

EISNERAMPER LLP
Metairie, Louisiana
January 3, 2024

**ODYSSEY HOUSE LOUISIANA, INC.**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2023**

| Federal Grantor/Program or Cluster Title | Federal Assistance Listing Number | Grant Number | | Federal Expenditures |
|---|---|---|---|---|
| **U.S. Department of Housing and Urban Development** | | | | |
| *Funds passed through Unity of Greater New Orleans, Inc. -* | | | | |
| Continuum of Care Program | 14.267 | LA0073L6H032114 | $ | 795,025 |
| *Total Department of Housing and Urban Development* | | | | 795,025 |
| **U.S. Department of Health and Human Services** | | | | |
| *Direct Award* | | | | |
| Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) (COVID-19) | 93.224 | H8F40637 | | 253,310 |
| Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) | 93.224 | H8028362 | | 1,008,309 |
| Grants for New and Expanded Services under the Health Center Program | 93.527 | H8G47806<br>H8H45033 | | 466,356 |
| *Total Health Center Program Cluster* | | | | 1,727,975 |
| Grants for Capital Development in Health Centers | 93.526 | 6 C8ECS44174 | | 231,318 |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | H79SM086217<br>H79SP080326 | | 822,464 |
| Provider Relief Fund (COVID-19) | 93.498 | None | | 500,786 |
| *Total Department of Health and Human Services* | | | | 3,282,543 |
| ***Total Expendituresof Federal Awards*** | | | $ | 4,077,568 |

The accompanying notes are an integral part of this schedule.

**ODYSSEY HOUSE LOUISIANA, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2023**

## 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Odyssey House Louisiana, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Organization. The Organization's reporting entity is defined in Note 1 to the consolidated financial statements for the year ended June 30, 2023.

## 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Organization's consolidated financial statements for the year ended June 30, 2023. Such expenditures are recognized following the cost principles contained in accordance with the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

## 3. Relationship to Financial Statements

Federal awards are included in program revenue – cost reimbursement in the consolidated statement of activities for the year ended June 30, 2023. Provider Relief Funds (PRF) received during the period of July 1, 2021 through June 30, 2023 (PRF Periods 3 and 4) and were recognized as revenue in the year ended June 30, 2022, but are required to be reported on the Organization's June 30, 2023 Schedule, based on guidance in the 2023 Compliance Supplement. Additionally, PRF amounts received during the year ended June 30, 2023 are required to be reported in a future Schedule, based on guidance in the 2023 Compliance Supplement, and are not included in the attached Schedule.

## 4. Relationship to Federal Financial Reports

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports.

## 5. De Minimis Cost Rate

During the year ended June 30, 2023, the Organization did not elect to use the 10% de minimis cost rate as covered in §200.414 of the Uniform Guidance.

**ODYSSEY HOUSE LOUISIANA, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2023**

## (1) Summary of Independent Auditors' Results

*Financial Statements*

| | |
|---|---|
| The type of report issued on the consolidated financial statements: | Unmodified opinion |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | Yes |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| Noncompliance material to the consolidated financial statements noted? | No |

*Federal Awards*

| | |
|---|---|
| Internal controls over major programs: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| Type of auditors' report issued on compliance for major programs: | Unmodified opinion |
| Any audit findings which are required to be reported under the Uniform Guidance? | No |
| Identification of major programs: | |
| Health Center Program Cluster | 93.224, 93.527 |
| Provider Relief Fund | 93.498 |
| Dollar threshold used to distinguish between Type A and Type B programs: | $750,000 |
| Auditee qualified as a low-risk auditee under Section 530 of The Uniform Guidance: | Yes |

**(2) Findings Relating to the Consolidated Financial Statements Reported in Accordance with *Government Auditing Standards:***

**#2023-001 Internal Control Over Financial Reporting**

| | |
|---|---|
| Criteria: | Internal control processes for organizations should include processes and controls that allow management to detect and correct adjustments to financial statements in order for the financial statements to be presented in accordance with U.S. GAAP. |
| Condition: | The Organization did not properly account for all patient revenues on the accrual basis of accounting which resulted in audit adjustments to record receivables and related revenues for revenue earned but not received as of fiscal year end. Additionally, the Organization did not properly account for inventory balances on hand at fiscal year end. |
| Cause: | The Organization did not have processes and controls in place to ensure that all revenue earned during the year and inventory on hand at year end were recorded in accordance with U.S. GAAP. |
| Effect: | Audit adjustments were required to present the current year financial statements in accordance with U.S. GAAP. |
| Recommendation: | We recommend that the Organization implement internal controls and procedures to ensure that all patient receivables and related revenues and inventory are properly recorded in the general ledger. |

*View of Responsible Official and Planned Corrective Action*
We agree with the finding concerning Internal control Over Financial Accounting. Further we agree with the recommendation to implement internal controls and procedures to ensure that all patient revenues are recorded on the accrual basis of accounting. Additionally, OHL will properly account for inventory balances on hand at fiscal year-end.

Beginning in January 2024 we will ensure that all receivables and related revenues are reconciled to the numbers provided by our third-party billing and pharmacy vendors and accurately record those revenues on a monthly basis. We will also properly account for inventory balances on hand at month end in order to ensure the accuracy of our financial statements at month-end as well as at the end of the fiscal year.

In order to accomplish this, we will add each of our commercial payers to our monthly revenue worksheet used to record revenues at month end. This worksheet will be updated regularly to ensure that the list of payers is complete and reflects all of our existing contracts. We will also create a worksheet that indicates that we reviewed and recorded all existing inventories on hand at the end of each month. Each worksheet will by reviewed and initialed by the CFO to ensure the accuracy of the numbers and completeness of the process.

**(3) Findings and Questioned Costs Relating to Federal Awards:**

**None reported.**

EISNERAMPER

# ODYSSEY HOUSE LOUISIANA, INC.

## REPORT ON STATEWIDE AGREED-UPON PROCEDURES ON COMPLIANCE AND CONTROL AREAS

## FOR THE YEAR ENDED JUNE 30, 2023

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To: Board of the Odyssey House Louisiana, Inc. and the Louisiana Legislative Auditor

We have performed the procedures enumerated in Schedule A on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) of the Odyssey House Louisiana, Inc. (the Organization) for the fiscal period July 1, 2022 through June 30, 2023. Odyssey House Louisiana, Inc.'s management is responsible for those C/C areas identified in the SAUPs.

The Odyssey House Louisiana, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of performing specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2022 through June 30, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed, and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were engaged by Odyssey House Louisiana, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs of the Odyssey House Louisiana, Inc. for the fiscal period July 1, 2022 through June 30, 2023. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Odyssey House Louisiana, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

*EisnerAmper LLP*

EISNERAMPER LLP
Metairie, Louisiana
January 3, 2024

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read *"no exception noted" or for step 13 "we performed the procedure and discussed the results with management."* If not, then a description of the exception ensues.

## *1) Written Policies and Procedures*

A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

*No exception noted.*

ii. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

*No exception noted.*

iii. ***Disbursements***, including processing, reviewing, and approving.

*No exception noted.*

iv. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*No exception noted.*

v. ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

*No exception noted.*

vi. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

*No exception noted.*

vii. ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

*No exception noted.*

viii. ***Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

*No exception noted.*

ix. ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

*The Organization is a non-profit entity. Thus, this procedure is not applicable and was not performed.*

x. ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*The Organization is a non-profit entity, and public funds are not used for debt service. Thus, this procedure is not applicable and was not performed.*

xi. ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

*The Organization's written policies and procedures for information technology disaster recovery/business continuity do not contain attributes (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event. The other attributes were addressed in the policies and procedures.*

xii. ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

*The Organization is a non-profit entity. Thus, this procedure is not applicable and was not performed.*

## *2) Board or Finance Committee*

A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

i. Observe whether the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

*No exception noted.*

ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

*The Organization is a non-profit entity. No exception noted.*

iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

*The Organization is a non-profit entity. Thus, this procedure is not applicable and was not performed.*

iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

*The Organization had no prior year audit findings. Thus, this procedure is not applicable and was not performed.*

***3) Bank Reconciliations***

A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

*A listing of bank accounts was provided and included a total of 18 bank accounts. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we selected 5 bank accounts (1 main operating and 4 randomly) and obtained the bank reconciliations for the month ending November 2022, resulting in 5 bank reconciliations obtained and subjected to the below procedures.*

i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*No exception noted.*

ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*No exception noted.*

iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*No exception noted.*

### *4) Collections (excluding electronic funds transfers)*

A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

*Management of the Organization represented that the receipt of public funds during the period July 1, 2022 through June 30, 2023 was done via electronic funds transfer and there were no deposits of public funds via cash, checks, or money orders. Thus, the procedures under this heading were not performed.*

B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

*Management of the Organization represented that the receipt of public funds during the period July 1, 2022 through June 30, 2023 was done via electronic funds transfer and there were no deposits of public funds via cash, checks, or money orders. Thus, the procedures under this heading were not performed.*

i. Employees responsible for cash collections do not share cash drawers/registers;

*Management of the Organization represented that the receipt of public funds during the period July 1, 2022 through June 30, 2023 was done via electronic funds transfer and there were no deposits of public funds via cash, checks, or money orders. Thus, the procedures under this heading were not performed.*

ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit;

*Management of the Organization represented that the receipt of public funds during the period July 1, 2022 through June 30, 2023 was done via electronic funds transfer and there were no deposits of public funds via cash, checks, or money orders. Thus, the procedures under this heading were not performed.*

iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

*Management of the Organization represented that the receipt of public funds during the period July 1, 2022 through June 30, 2023 was done via electronic funds transfer and there were no deposits of public funds via cash, checks, or money orders. Thus, the procedures under this heading were not performed.*

iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee verifies the reconciliation.

*Management of the Organization represented that the receipt of public funds during the period July 1, 2022 through June 30, 2023 was done via electronic funds transfer and there were no deposits of public funds via cash, checks, or money orders. Thus, the procedures under this heading were not performed.*

C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

*Management of the Organization represented that the receipt of public funds during the period July 1, 2022 through June 30, 2023 was done via electronic funds transfer and there were no deposits of public funds via cash, checks, or money orders. Thus, the procedures under this heading were not performed.*

D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

*Management of the Organization represented that the receipt of public funds during the period July 1, 2022 through June 30, 2023 was done via electronic funds transfer and there were no deposits of public funds via cash, checks, or money orders. Thus, the procedures under this heading were not performed.*

i. Observe that receipts are sequentially pre-numbered.

*Management of the Organization represented that the receipt of public funds during the period July 1, 2022 through June 30, 2023 was done via electronic funds transfer and there were no deposits of public funds via cash, checks, or money orders. Thus, the procedures under this heading were not performed.*

ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

*Management of the Organization represented that the receipt of public funds during the period July 1, 2022 through June 30, 2023 was done via electronic funds transfer and there were no deposits of public funds via cash, checks, or money orders. Thus, the procedures under this heading were not performed.*

iii. Trace the deposit slip total to the actual deposit per the bank statement.

*Management of the Organization represented that the receipt of public funds during the period July 1, 2022 through June 30, 2023 was done via electronic funds transfer and there were no deposits of public funds via cash, checks, or money orders. Thus, the procedures under this heading were not performed.*

iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100 and the cash is stored securely in a locked safe or drawer).

*Management of the Organization represented that the receipt of public funds during the period July 1, 2022 through June 30, 2023 was done via electronic funds transfer and there were no deposits of public funds via cash, checks, or money orders. Thus, the procedures under this heading were not performed.*

v. Trace the actual deposit per the bank statement to the general ledger.

*Management of the Organization represented that the receipt of public funds during the period July 1, 2022 through June 30, 2023 was done via electronic funds transfer and there were no deposits of public funds via cash, checks, or money orders. Thus, the procedures under this heading were not performed.*

### *5) Non-payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)*

A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
*The listing of locations that process payments for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected the single location and performed the procedures below.*

B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

*The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #5A was provided. No exceptions were noted as a result of performing this procedure.*

*Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.*

i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

*No exception noted.*

ii. At least two employees are involved in processing and approving payments to vendors;

*No exception noted.*

iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;

*No exception noted.*

iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and

*The employee/official responsible for signing checks does not mail the payment. The checks are given to an employee in accounts payable (individual(s) involved in processing payments) for mailing.*

v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

*No exception noted.*

C. For each location selected under #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and

*A listing of non-payroll disbursements for each payment processing location selected in procedures #5A was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 disbursements and performed the procedures below.*

i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the entity, and

*No exception noted.*

ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

*The employee/official responsible for signing checks does not mail the payment. The checks are given to an employee in accounts payable (individual(s) involved in processing payments) for mailing.*

D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

*No exception noted.*

## *6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)*

A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

*A listing of cards was provided. No exceptions were noted as a result of performing this procedure.*

B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and

*From the listing provided, we randomly selected 5 credit cards used during the fiscal period. We randomly selected one monthly statement for each of the 5 cards selected and performed the procedures noted below.*

i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported; and

   *No exception noted.*

ii. Observe that finance charges and late fees were not assessed on the selected statements.

   *No exception noted.*

C. Using the monthly statements or combined statements selected under procedure #6B above, <u>excluding fuel cards</u>, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

   *No exception noted.*

## 7) *Travel and Travel-Related Expense Reimbursements (excluding card transactions)*

A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

   *The listing of travel and travel-related expense reimbursements was provided for the fiscal period. No exceptions were noted as a result of performing this procedure.*

   *From the listing provided, we randomly selected 5 reimbursements and performed the procedures below.*

i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);

   *No exception noted.*

ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

   *No exception noted.*

iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by "Written Policies and Procedures", procedure #1A(vii); and

   *No exception noted.*

iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exception noted.*

### *8) Contracts*

A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and

*An active vendor list for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 contracts and performed the procedures below.*

*i.* Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

*Contracts selected for testing were not required to be bid in accordance with the Louisiana Public Bid Law. Thus, this procedure is not applicable and was not performed.*

ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter);

*No exception noted.*

iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

*Contracts selected for testing were not amended during the fiscal period. Thus, this procedure is not applicable and was not performed.*

iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

*No exception noted.*

### *9) Payroll and Personnel*

A. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

*A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 employees/officials and performed the specified procedures.*

B. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and

*We randomly selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #9A.*

i. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

*No exception noted.*

ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

*No exception noted.*

iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

*No exception noted.*

iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

*No exception noted.*

C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

*A listing of employees/officials receiving termination payments during the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 2 employees/officials and performed the specified procedures. No exception noted.*

D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

*No exception noted.*

## 10) *Ethics*

A. Using the 5 randomly selected employees/officials from procedure "Payroll and Personnel" procedure #9A, above obtain ethics documentation from management, and

i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

*The Organization is a non-profit entity. Thus, this procedure is not applicable and was not performed.*

ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

*The Organization is a non-profit entity. Thus, this procedure is not applicable and was not performed.*

B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

*The Organization is a non-profit entity. Thus, this procedure is not applicable and was not performed.*

## *11) Debt Service*

A. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued as required by Article VII, Section 8 of the Louisiana Constitution.

*The Organization is a non-profit entity. Thus, this procedure is not applicable and was not performed.*

B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

*The Organization is a non-profit entity. Thus, this procedure is not applicable and was not performed.*

## *12) Fraud Notice*

A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

*No exception noted.*

B. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*No exception noted.*

### *13) Information Technology Disaster Recovery/Business Continuity*

A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

*We performed the procedure and discussed the results with management.*

ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

*We performed the procedure and discussed the results with management.*

iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

*We performed the procedure and discussed the results with management.*

B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidenced that the selected terminated employees have been removed or disabled from the network.

*We performed the procedure and discussed the results with management.*

### *14) Prevention of Sexual Harassment*

A. Using the 5 randomly selected employees/officials from "Payroll and Personnel" procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

*The Organization is a non-profit entity. Thus, this procedure is not applicable and was not performed.*

B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

*The Organization is a non-profit entity. Thus, this procedure is not applicable and was not performed.*

C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

i. Number and percentage of public servants in the agency who have completed the training requirements;

*The Organization is a non-profit entity. Thus, this procedure is not applicable and was not performed.*

ii. Number of sexual harassment complaints received by the agency;

*The Organization is a non-profit entity. Thus, this procedure is not applicable and was not performed.*

iii. Number of complaints which resulted in a finding that sexual harassment occurred;

*The Organization is a non-profit entity. Thus, this procedure is not applicable and was not performed.*

iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

*The Organization is a non-profit entity. Thus, this procedure is not applicable and was not performed.*

v. Amount of time it took to resolve each complaint.

*The Organization is a non-profit entity. Thus, this procedure is not applicable and was not performed.*

Schedule B

Odyssey House Louisiana, Inc. (the Organization) provided a response and corrective action plan for the exceptions in Schedule A as set forth below:

### *1) Written Policies and Procedures*

We acknowledge that although we are performing the procedures described in procedure 1) xi, related to information technology disaster recover/business continuity, we do not have a policy that addresses (4) the use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event. Therefore, we will address this by expanding our IT policies to include each of these attributes. This will be completed by March 31, 2024.

### *5) Non-payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)*

Management has discussed moving this process from Accounts Payable and has decided that we would prefer to allow this function to remain in Accounts Payable noting that we have mitigating controls in place to address possible fraud concerns.

ODYSSEY HOUSE LOUISIANA

December 26, 2023

EisnerAmper LLP

RE: Corrective Action Plan

This letter outlines Odyssey House Louisiana's corrective action plan with regard to the fiscal year 2023 audit.

Audit Finding 2023-001Internal Control Over Financial Reporting

Name of contact person responsible for corrective action: Mia M Dejan

Corrective action planned: In January 2024, we agree with the finding concerning Internal control Over Financial Accounting. Further we agree with the recommendation to implement internal controls and procedures to ensure that all patient revenues are recorded on the accrual basis of accounting. Additionally, OHL will properly account for inventory balances on hand at fiscal year-end.

Beginning in January 2024 we will ensure that all receivables and related revenues are reconciled to the numbers provided by our third-party billing and pharmacy vendors and accurately record those revenues on a monthly basis. We will also properly account for inventory balances on hand at month end in order to ensure the accuracy of our financial statements at month-end as well as at the end of the fiscal year.

In order to accomplish this, we will add each of our commercial payers to our monthly revenue worksheet used to record revenues at month end. This worksheet will be updated regularly to ensure that the list of payers is complete and reflects all of our existing contracts. We will also create a worksheet that indicates that we reviewed and recorded all existing inventories on hand at the end of each month. Each worksheet will by reviewed and initialed by the CFO to ensure the accuracy of the numbers and completeness of the process.

Anticipated completion date: March 31, 2024.

Sincerely,

Mia M Dejan

Mia M Dejan, CFO