

ODYSSEY HOUSE LOUISIANA, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
<i>Financial Statements:</i>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 17
<i>Supplementary Information:</i>	
Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer	18
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 - 20
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	21 - 22
Schedule of Expenditures of Federal Awards	23
Notes to Schedule of Expenditures of Federal Awards	24
Schedule of Findings and Questioned Costs	25
Summary Schedule of Prior Year Findings	26



INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Odyssey House Louisiana, Inc. as of June 30, 2020, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to chief executive officer and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2021 on our consideration of Odyssey House Louisiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Odyssey House Louisiana Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Odyssey House Louisiana, Inc.'s internal control over financial reporting and compliance.

Hienz & Macaluso, LLP
Metairie, Louisiana
January 25, 2021

FINANCIAL STATEMENTS

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,918,325
Restricted cash	117
Grant and program receivables	4,300,834
Inventory	24,561
Prepaid expenses and deposits	92,665
Total current assets	6,336,502

Property, Buildings and Equipment:

Buildings and improvements	6,582,103
Furniture, fixtures and equipment	2,392,543
Construction in progress	2,009,669
Land and improvements	629,934
	11,614,249
Less: accumulated depreciation	(4,229,703)
Total property, buildings and equipment	7,384,546

Other Assets:

Investments	564,314
Total other assets	564,314

Total assets \$ 14,285,362

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$ 1,452,001
Deferred Revenue	75,900
Line of Credit	500,000
Current maturity of long-term debt	527,818
Total current liabilities	2,555,719

Long-term debt (net of current maturity) 3,809,818

Total liabilities 6,365,537

Net Assets:

Without donor restrictions	7,913,748
With donor restrictions	6,077
Total net assets	7,919,825

Total liabilities and net assets \$ 14,285,362

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

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:			
United Way grant revenue	\$ 734	\$ -	\$ 734
Contributions	39,231	-	39,231
Program Revenue - Cost Reimbursement	4,946,778	-	4,946,778
Program Revenue - Fee for Service	3,171,998	-	3,171,998
Medicaid - Claims	11,695,863	-	11,695,863
Subsidy for Federal Home Loan Bank of Dallas	-	750,000	750,000
Investment Return	(6,558)	-	(6,558)
Rental income	48,683	-	48,683
Other	90,939	-	90,939
Net assets released from restrictions	750,000	(750,000)	-
Total revenues and other support	20,737,668	-	20,737,668
EXPENSES:			
Program services:			
Residential/detox	11,409,376	-	11,409,376
Outpatient/medical	4,029,187	-	4,029,187
Community and supporting services	1,534,138	-	1,534,138
Prevention	502,476	-	502,476
Supporting services:			
Management and general	2,157,953	-	2,157,953
Fundraising	65,106	-	65,106
Total expenses	19,698,236	-	19,698,236
Change in net assets	1,039,432	-	1,039,432
Net Assets, Beginning of Year	6,874,316	6,077	6,880,393
Net Assets, End of Year	\$ 7,913,748	\$ 6,077	\$ 7,919,825

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

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

Expenses:	Program Services				Supporting Services		Total
	Residential/ Detox	Outpatient Medical	Community and Suppting Services	Prevention	Mngmnt and General	Fundraising	
Compensation	\$ 6,227,436	\$ 2,295,791	\$ 632,378	\$ 334,832	\$ 1,416,319	\$ 53,774	\$ 10,960,530
Occupancy	972,731	109,572	74,893	11,784	55,034	1,000	1,225,014
Equipment	71,752	15,644	9,628	675	5,106	-	102,805
Copying and printing	59,272	13,317	403	904	11,638	-	85,534
Insurance	202,400	102,915	40,961	5,846	40,280	-	392,402
Kitchen	1,346,745	139,612	-	-	273	-	1,486,630
Development	4,974	6,993	305	7,868	37,930	34	58,104
Shipping and postage	380	181	341	116	7,636	-	8,654
Repairs and maintenance	25,071	24,697	26,529	203	221	-	76,721
Supplies	465,172	281,500	14,333	48,599	39,408	51	849,063
Staff training and other	85,680	40,504	3,505	5,671	111,799	85	247,244
Staff travel	9,069	4,058	255	7,352	94,642	38	115,414
Client specific assistance	50,831	38,146	593,300	-	-	-	682,277
Vehicles	19,194	4,777	11,407	869	8,156	-	44,403
Contractual	1,311,483	831,631	38,433	73,874	232,736	1,040	2,489,197
Special events	-	-	-	-	-	9,041	9,041
Miscellaneous	184,677	17,263	954	480	68,340	43	271,757
Interest expense	70,251	7,998	-	-	23,811	-	102,060
Expense subtotal	<u>11,107,118</u>	<u>3,934,599</u>	<u>1,447,625</u>	<u>499,073</u>	<u>2,153,329</u>	<u>65,106</u>	<u>19,206,850</u>
Depreciation expense	302,258	94,588	86,513	3,403	4,624	-	491,386
Total expenses	<u>\$ 11,409,376</u>	<u>\$ 4,029,187</u>	<u>\$ 1,534,138</u>	<u>\$ 502,476</u>	<u>\$ 2,157,953</u>	<u>\$ 65,106</u>	<u>\$ 19,698,236</u>

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

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ 1,039,432
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	491,386
Realized and unrealized depreciation on investments, net	17,188
Loss on Exchange of Property, Building and Equipment	43,281
Changes in operating assets and liabilities:	
Receivables - government grants and programs	(2,421,468)
Prepaid expenses and deposits	58,886
Accounts payable and accrued expenses	644,664
Deferred Revenue	75,900
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(50,731)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from the Sale of Investments	225,000
Purchases of property, buildings, and equipment	<u>(1,883,743)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(1,658,743)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net Change in Line of Credit	500,000
Proceeds from Long-term Debt	2,734,695
Payments on note payable	<u>(197,224)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>3,037,471</u>
Net change in cash and cash equivalents	<u>1,327,997</u>
Cash, cash equivalents, and restricted cash, beginning of year	<u>590,445</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 1,918,442</u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	<u>\$ 102,060</u>
Cash and cash equivalents per the statement of financial position	
Cash and cash equivalents	\$ 1,918,325
Restricted cash	<u>117</u>
	<u>\$ 1,918,442</u>

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

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. Summary of Significant Accounting Policies

Nature of Operations

Odyssey House Louisiana, Inc. (“OHL”) (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. Today, 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 of society. OHL's primary source of revenue is from state and federal contracts and grant programs.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America for the year ended June 30, 2020. The significant accounting policies followed in the preparation of the accompanying financial statements are described below.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities 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 and expenses are classified based on the existence or absence of donor-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 that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. 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 stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions totaled \$6,077 at June 30, 2020.

Gain and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. Summary of Significant Accounting Policies (continued)

Restricted and Unrestricted Revenues and Support

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 statement of activities as released from restrictions.

Grant revenue is recognized as it is earned in accordance with approved contracts. Grants for fee income are recorded as net assets with donor restrictions in the statement of activities and then reclassified to net assets without donor restrictions as the fees are earned. All grantor-restricted support is reported as an increase in net assets with donor restrictions in the statements of activities.

Income Taxes

OHL is a nonprofit corporations organized under the laws of the State of Louisiana. It is exempt from both Federal income tax under Section 501(c) (3) of the Internal Revenue Code (IRC), and qualifies as an organization that is not a private Organization as defined in Section 509 (a) of the IRC. It is also exempt from Louisiana income tax under the authority of R.S. 12:201 of Louisiana revised statutes. The Organization follows the provisions of the Accounting for Uncertainty in Income Taxes Topic of the FASB Accounting Standards Codification. All tax returns have been appropriately filed by the Organization. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. Management evaluated the Organization's tax position and concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. OHL's 2019 tax return has not been filed as of the date of the report.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all restricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Certificates of deposit are reported at cost which approximates fair value. For the year ended June 30, 2020, unrealized appreciation (depreciation) is included in the change in net assets in the accompanying statement of activities.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. Summary of Significant Accounting Policies (continued)

Investments (continued)

For the year ended June 30, 2020, realized gains, (losses) and investment income are accounted for as without donor restrictions or with donor restrictions based on restrictions, if any, imposed by donors.

Receivables

Receivables consisted of amounts owed from various federal, state, and local government agencies for grants and fees for service programs. At June 30, 2020, management believes all receivables to be fully collectible; therefore, an allowance for doubtful accounts has not been established. Subsequent to year end, management considers collection results and writes off any year-end balances that are deemed to be not collectible.

Inventory

Inventory consists of food purchased in connection with the long-term care provided to clients and is accounted for at cost 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 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. It is the policy of the Organization to capitalize all property, buildings, and equipment that are acquired as a result of a bulk purchase or otherwise with an aggregate or individual cost that exceeds \$5,000. Costs incurred for repairs and maintenance are expensed as incurred.

For the year ended June 30, 2020, the Organization entered into an agreement with Housing Authority of New Orleans whereby buildings were exchanged for land. The net impact of this transaction was the recognition of a loss on the exchange of assets for \$43,281. This loss is netted with Other Income on the statement of activities.

Functional Expenses

The costs of providing the programs and other activities have been summarized on a functional basis between program services and supporting activities in the statement of functional expenses. Accordingly, certain costs have been allocated among program services and supporting activities. Such allocations are determined by management on an equitable basis. Expenses are allocated based on a formula using direct compensation and revenue in each program.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. Summary of Significant Accounting Policies (continued)

In-kind Contributions

A variety of noncash items, such as clothing, toys, books, building supplies and event tickets, for auction, were donated to the Organization throughout the year ended June 30, 2020. These items are recorded as contributions based on their fair market value as of the date of the contribution.

For the year ended June 30, 2020, the total amount of in-kind contributions reported in the statement of activities was estimated to be \$6,915.

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 the CEO up to 160 hours. At June 30, 2020, the liability associated with compensated absences was \$261,980 and is included in accounts payable and accrued expenses.

Use of Estimates

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

Restricted Cash

At June 30, 2020, the Organization was holding restricted cash of \$117. Its use is restricted to expenditures as specified by various grant agreements.

Recent Accounting Pronouncements - Not Yet Adopted

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. A modified retrospective transition is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented, or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements - Not Yet Adopted (continued)

The new standard also provides a number of practical expedients. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 31, 2021. Management is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements, as well as the election if any available practical expedients and the manner of the modified retrospective transition approach.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled to when products are transferred to customers. ASU 2014-09 will be effective for the Organization beginning in the year ending June 30, 2021, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. The Organization is currently evaluating the impact of adopting the new revenue standard on its financial statements and does not expect to experience a significant impact.

2. 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, 2020.

3. Grant and Program Receivables

At June 30, 2020, the Organization had the following grants and program receivables:

HRSA	\$ 63,115
HRSA COVID-19	145,184
LEAD	22,675
Medicaid	2,974,437
City of New Orleans	83,522
SAMSHA	144,401
State of Louisiana	714,138
UNITY	129,488
LA Doc	23,374
Other	<u>500</u>
Total	<u>\$4,300,834</u>

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4. Investments

At June 30, 2020, investments consisted of one certificate of deposit, a mutual fund and an equity investment in a Louisiana LLC accounted for under the equity method. At June 30, 2020, the certificates of deposit have a cost and fair value of \$225,000, respectively.

At June 30, 2020, the mutual fund has a cost of \$6,077 and a fair value of \$13,909. The mutual fund was created with an initial investment of \$6,077 into an endowment fund administered by the Greater New Orleans Foundation. Annually, the Greater New Orleans Foundation distributes a portion of the earnings to the Organization while maintaining the integrity of the corpus. At June 30, 2020, \$6,077 and \$7,832 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 LLC. The Organization is the sole member of OHL Bohn. Also, in August 2017 OHL Bohn became a partner in 2700 Bohn Motor, LLC, a Louisiana LLC. OHL Bohn has a 0.50% interest in 2700 Bohn Motor, LLC. 2700 Bohn Motor, LLC purpose is to acquire real property located at 2700 S Broad Street in New Orleans, LA and to obtain financing for its redevelopment. OHL Bohn's capital balance in 2700 Bohn Motor LLC as of June 30, 2020 is \$325,405, which is reported as Investments on the Statement of Financial Position.

At June 30, 2020, the cumulative appreciation on the mutual fund was \$7,832. For the year ended June 30, 2020, investment returns consisted of \$10,774 of interest, \$246 of realized gains, and \$17,509 of unrealized losses. Also, the Organization was charged an administrative fee of \$69 for the management of its mutual fund. This amount is netted against Investment Return.

5. 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.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

5. Fair Value of Investments (continued)

Certificates of deposit are valued at cost which approximates market and are classified within Level 2 of the fair value hierarchy. The values of the Organization's investments in the Greater New Orleans Foundation pooled assets are based on information provided by the Greater New Orleans Foundation. This investment is classified within Level 2 of the fair value hierarchy. There have been no changes in the methodology used as of June 30, 2020. 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.

6. Concentration Risk and Contingencies

The Organization has credit risk for cash by maintaining deposits in financial institutions in New Orleans, Louisiana, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). In an effort to minimize this risk, the Organization has invested excess cash in certificates of deposits held through other financial institutions.

The Organization received the vast 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.

On January 30, 2020, the World Health Organization declared the COVID-19 outbreaks a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 included restrictions on travel, stay home orders, quarantines in certain areas, and forced closures for certain types of public places and businesses. COVID-19 and the actions taken to mitigate it have and are expected to continue to have an adverse impact in the economies and financial markets of many countries, including the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Organization. The ultimate disruption which may be caused by the outbreak is uncertain; however it may result in a material adverse impact on the Organization's financial position, operations, and cash flows. However, the pandemic has not significantly impacted the Organization's productivity, funding streams, or its ability to deliver on its mission and thereby provide value to the community.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

7. Line of Credit

During the year the Organization had a \$1,500,000 line of credit with JP Morgan Chase Bank. The line currently carries a variable interest rate of 5.99% per annum. The line is collateralized by all Organization accounts including grant receivables as well as equipment. The outstanding balance at June 30, 2020 was \$500,000.

8. Notes Payable

At June 30, 2020, the Organization has the following Notes Payable:

- Promissory note with a financial institution; interest at 4.50% per annum; collateralized by the Organization's property; payable in 59 monthly payments of \$22,956 and one final payment of \$1,252,189. The outstanding balance at June 30, 2020 was \$1,602,941.
- Promissory note with Gulf Coast Housing Partnership, Inc.; interest at 0% per annum; collateralized by the Organization's property; stated maturity of the earlier of December 2, 2049 or upon the sale or refinancing of specific properties (see Note 11 – Commitments for more information). The outstanding balance at June 30, 2020 was \$760,416.
- Bridge loan with Gulf Coast Housing Partnership, Inc.; interest at 6.5% per annum on the outstanding balance; collateralized by the Organization's property; stated maturity the earlier that the Organization receives Capital Outlay funds from the state of Louisiana or April 29, 2021 (see Note 11 – Commitments for more information). The outstanding balance at June 30, 2020 was \$319,567.
- Paycheck Protection Program loan (the "PPP loan"); interest at 1.00% per annum; unsecured; proceeds of the PPP loan are restricted as to use, and the loan amount may be fully forgivable upon submission of request for forgiveness by the Organization and approval by the Small Business Administration (the "SBA"). The outstanding balance at June 30, 2020 was \$1,654,712. Any amount not forgiven by the SBA will be required to be repaid over 24 months. The Organization expects that the PPP loan will be fully forgiven by the SBA.

For the year ended June 30, 2020, interest expense on these loans totaled \$102,060.

ODYSSEY HOUSE LOUISIANA, INC.
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

8. Notes Payable (continued)

Estimated maturities of notes payable are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 527,818
2022	2,222,042
2023	827,360
2024	-
2025	-
Thereafter	<u>760,416</u>
Total	<u>\$ 4,337,636</u>

9. 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 year ended June 30, 2020, contributions to the plan were \$110,816.

10. Availability and Liquidity

The following represents the Organization's financial assets as of June 30, 2020:

Financial assets at June 30, 2020:

Cash and cash equivalents	\$ 1,918,325
Grant and program receivables	4,300,834
Investments	<u>564,314</u>
Total financial assets	<u>6,783,473</u>

Less amounts not available to be used in one year:

Net assets with donor restrictions	6,077
Investment in LLC	325,405
Board designated funds for future use	<u>1,000,032</u>
	<u>1,331,514</u>

Financial assets available to meet general expenditures
 over the next twelve months

\$ 5,451,959

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$4.7 million for the year ended June 30, 2020). As part of its liquidity plan, excess cash is invested in short-term investments including certificates of deposit. The Organization has a \$1,500,000 line of credit available to meet cash needs.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

11. Commitments

In December of 2017 the Organization became a partner in OHL North Tonti, LLC, a Louisiana LLC (taxed as a partnership). OHL North Tonti, LLC has two members, the Organization at 99% and Edward Carlson, the Organization's CEO, 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 was for 99 years ending on December 27, 2116 with the monthly lease amount stated to be \$100.

As of June 30, 2020 the Organization was in the beginning phase of a multi-phase renovation of the buildings located at 1125 N Tonti Street and 2426, 2432 and 2434 Governor Nichols St. Management estimates the renovation project will take several years with an estimated cost of approximately \$10 million.

The Organization has been approved for funding of this project by the Louisiana Capital Outlay Program for \$5.9 million, of which on October 17, 2019 \$2,222,700 was immediately available. The remaining funds will be reviewed by the Louisiana Division of Administration and made available in subsequent years based on the state budget. In November 2018 the Federal Home Loan Bank of Dallas (FHLBD) approved a \$750,000 Affordable Housing Program (AHP) subsidy for the project.

Due to complex compliance requirements with the state of Louisiana Capital Outlay Program and FHLBD and because of the timing of construction the Organization opened two GAP loans with Gulf Coast Housing Partnership (GCHP). On October 29, 2019 the Organization opened a \$1 million loan at 6.5% interest annually and secured by all of the Organization's property. The loan's maturity is stated as of the date the Organization receives the Capital Outlay funds from the state of Louisiana or April 29, 2021 whichever is earlier – all principal and interest are due at maturity. The Organization paid a \$10,000 origination fee to secure the funds.

The second loan with 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 year ended June 30, 2020 the Organization held a contract with Imperial Calcasieu Human Services Authority (ImCal) to operate a licensed Substance Abuse Rehabilitation Treatment Center in Lake Charles, LA. The license is provided by the Louisiana Department of Health and Human Services (DHH). Both the contract with ImCal and the license with DHH expired as of June 30, 2020. The contract with ImCal was renewed July 1, 2019 and expires June 30, 2022. The license with DHH is renewable annually and the current license renewed July 1, 2020 and will expire June 30, 2021. The new DHH license increased the capacity at the facility to 46 beds. The agreement provides that the Organization shall occupy the facility rent free, with ImCal responsible for major repairs and the Organization responsible for minor repairs, supplies and general upkeep.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

11. Commitments (continued)

On December 5, 2017 the Organization entered into a sublease agreement with GCHP for the space at 2700 S Broad Street. GCHP has a lease for the building with 2700 Bohn Motor LLC and is therefore subleasing to the Organization. The commencement date for the Organization's lease was September 1, 2019, the date the Organization first occupied the building. The term of the lease is for ten years from commencement date with the Organization holding a nine year option to renew. Monthly rental payments are \$52,181. Future minimum lease payments are as follows: for June 30, 2021 \$626,172; June 30, 2022 \$626,172; June 30, 2023 \$626,172; June 30, 2024 \$626,172; June 30, 2025 \$626,172; and thereafter \$2,609,050.

12. Net Assets

Net assets with donor restrictions in the amount of \$6,077 were for the Organization's substance abuse programs as of June 30, 2020.

Net assets without donor restrictions of \$7,913,748 consisted of \$1,000,032 of board designated funds for future use and \$6,913,716 undesignated as of June 30, 2020.

13. Medicaid Program Revenues

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 result in any retroactive adjustment.

14. Date of Management's Review

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 25, 2021 and determined that no events have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements besides what is included in footnote 11 – Commitments.

SUPPLEMENTARY INFORMATION

ODYSSEY HOUSE LOUISIANA, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED JUNE 30, 2020

Agency Head Name: Ed Carlson

Purpose	Amount
Salary	\$ 275,456
Benefits-health/dental/vision insurance	11,188
Benefits-retirement	13,395
Benefits-group life insurance	2
Benefits-long/short term disability insurance	1,328
Car allowance	7,860
Reimbursements	7,330
Total	\$ 316,559

See accompanying independent auditor's report.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Odyssey House Louisiana, Inc. (a nonprofit organization) (the “Organization”) which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Pierson & Macaluso, LLP
Metairie, Louisiana
January 25, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited Odyssey House Louisiana, Inc.'s (the "Organization") compliance with the types of compliance requirements described 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, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

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

Hiens & Macaluso, LLP
Metairie, Louisiana
January 25, 2021

ODYSSEY HOUSE LOUISIANA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Grant Number</i>	<i>Federal Expenditures</i>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Funds passed through Unity of Greater New Orleans, Inc.</i>			
Continuum of Care Program	14.267	LA0086L6H031609	\$ 13,244
Continuum of Care Program	14.267	LA0073I6H031306	739,415
<i>Total Department of Housing and Urban Development</i>			<u>752,659</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Direct Award</i>			
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H8CCS35101	51,094
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H8DC35766	107,655
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H80CS28362	1,028,119
Ryan White	93.918	P06HA33752	95,654
Briscoe - Sobering	93.788	NA	17,977
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79SP021824-02	223,872
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79T1082458-01	500,000
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SP080326-01	197,919
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79T1080020-02	148,357
<i>Total Department of Health and Human Services</i>			<u>2,370,647</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 3,123,306</u>

The accompanying notes are an integral part of this schedule.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of Odyssey House Louisiana, Inc. (the Organization). The Organization's reporting entity is defined in note 1 to the financial statements for the year ended June 30, 2020. All federal awards received from federal agencies are included on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the financial statements for the year ended June 30, 2020.

(3) Relationship to Financial Statements

Federal awards are included in government grants and programs in the statements of activities and changes in net assets for the year ended June 30, 2020.

(4) De Minimis Cost Rate

During the year ended June 30, 2020, the Organization did not elect to use the 10% de Minimis cost rate covered in §200.414 of the Uniform Guidance.

ODYSSEY HOUSE LOUISIANA, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

(1) Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? no

Noncompliance material to financial statements noted: no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? no

Type of auditor's report issued on compliance for major programs: unmodified

Did the audit disclose any audit findings which the independent auditor is required to report under the Uniform Guidance? no

Identification of major programs:

Substance Abuse and Mental Health Services Projects
of Regional and National Significance 93.224

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

Auditee qualified as a low-risk auditee under the Uniform Guidance: yes

2) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards* none

3) Findings and Questioned Costs relating to Federal Awards: none

ODYSSEY HOUSE LOUISIANA, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS

None reported.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL
AWARDS

None reported.

SECTION III MANAGEMENT LETTER

None reported.