

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

AUDITED FINANCIAL STATEMENTS
June 30, 2023 and 2022



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Louisiana Health and Rehabilitation Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Louisiana Health and Rehabilitation Center, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Louisiana Health and Rehabilitation Center, 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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Louisiana Health and Rehabilitation Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Louisiana Health and Rehabilitation Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Louisiana Health and Rehabilitation Center, Inc.'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 financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head, Political Subdivision Head, or Chief Executive Officer, as required by Louisiana Revised Statute 24:513 (A)(3), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 December 28, 2023, on our consideration of the Louisiana Health and Rehabilitation Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Louisiana Health and Rehabilitation Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Louisiana Health and Rehabilitation Center, Inc.'s internal control over financial reporting and compliance.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
December 28, 2023



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

(See Notes to Financial Statements)

June 30, 2023 and 2022

ASSETS

	June 30,	
	2023	2022
CURRENT ASSETS		(Restated)
Cash and cash equivalents	\$ 244,519	\$ 218,176
Restricted cash	4,295	10
Receivables	432,322	106,785
Governmental Receivables	-	97,056
Prepaid expenses	46,408	55,603
TOTAL CURRENT ASSETS	727,544	477,630
PROPERTY AND EQUIPMENT		
Furniture, Fixtures and Equipment	240,972	136,554
Vehicles	69,889	69,889
Building	1,792	1,792
Leasehold Improvements	260,980	97,083
TOTAL PROPERTY AND EQUIPMENT	573,633	305,318
Less Accumulated Depreciation	(214,163)	(180,748)
	359,470	124,570
Land	10,000	-
Construction in Progress	173,338	-
NET PROPERTY AND EQUIPMENT	542,808	124,570
OTHER ASSETS	580	580
TOTAL ASSETS	<u>\$ 1,270,932</u>	<u>\$ 602,780</u>

LIABILITIES AND NET ASSETS

	June 30,	
	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES		(Restated)
Accounts Payable	\$ 16,399	\$ 15,976
Accrued Payroll Liabilities	771	962
Accrued Insurance	29,495	21,918
Other Accrued Expenses	23,784	26,506
Amounts Held for Others	4,295	10
Due to Related Parties	458,466	190,518
Current portion of long term debt	<u>9,400</u>	<u>8,702</u>
 TOTAL CURRENT LIABILITIES	 542,610	 264,592
 LONG-TERM LIABILITIES		
Note Payable, Vehicle	16,082	24,784
Less current portion of long term debt	<u>(9,400)</u>	<u>(8,702)</u>
 TOTAL LONG-TERM LIABILITIES	 <u>6,682</u>	 <u>16,082</u>
 TOTAL LIABILITIES	 549,292	 280,674
 NET ASSETS		
Without Donor Restrictions:		
Undesignated	<u>721,640</u>	<u>322,106</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$1,270,932</u></u>	 <u><u>\$ 602,780</u></u>



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LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENTS OF ACTIVITIES
(See Notes to Financial Statements)
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> (Restated)
SUPPORT AND REVENUES		
Public Support:		
Reality House	\$ 1,436,343	\$ 794,598
Outpatient Substance Abuse	199,064	257,736
Government Grants	-	165,056
Cash Contributions	4,191	2,088
Interest Income	503	230
Other	<u>1,018</u>	<u>337</u>
 TOTAL SUPPORT AND REVENUES	 1,641,119	 1,220,045
 EXPENSES		
Program Expenses	806,777	777,970
General and Administrative	<u>434,807</u>	<u>317,893</u>
 TOTAL EXPENSES	 1,241,585	 1,095,863
 INCREASE IN NET ASSETS	 399,534	 124,182
 NET ASSETS, BEGINNING OF THE YEAR	 <u>322,106</u>	 <u>197,924</u>
 NET ASSETS, END OF YEAR	 <u>\$ 721,640</u>	 <u>\$ 322,106</u>

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

(See Notes to Financial Statements)

For the Year Ended June 30, 2023

	2023		
	Program Expenditures	General & Administrative	Total
Advertising & Promotions	\$ -	\$ 970	\$ 970
Automobile Expense	10,747	1,162	11,910
Bank Service Charges	255	248	503
Contract for Outside Services	558,303	117,211	675,514
Client Expenses	921	3,274	4,195
Depreciation Expense	28,630	3,904	32,534
Drug Screen	995	-	995
Employee Benefits	(51)	2,775	2,724
Fundraising Expense	56	-	56
Furniture	2,029	-	2,029
Gifts	500	-	500
Insurance	72,895	28,866	101,761
Interest Expense	1,725	3,544	5,269
Licenses	1,288	5,634	6,922
Membership and Dues	25	75	100
Miscellaneous Expenses	(297)	2,438	2,141
Office Expenses	3,147	1,985	5,131
Payroll Expenses	5755.57	200,802	206,559
Pest Control Services	2,433	-	2,433
Professional Fees	9,189	25,200	34,389
Repairs	(416)	16,856	16,440
Rent	51,097	16,800	67,897
Security Expenses	600	75	675
Storage	6,142	945	7,087
Supplies	18,514	1,844	20,357
Telephone	9,067	-	9,067
Training	300	-	300
Travel	-	200	200
Utilities	22,926	-	22,926
TOTAL	\$ 806,777	\$ 434,807	\$ 1,241,585



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LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

(See Notes to Financial Statements)

For the Year Ended June 30, 2022

	2022		
	Program Expenditures	General & Administrative	Total
Automobile Expense	\$ 12,020	\$ -	\$ 12,020
Bank Service Charges	(300)	575	275
Contract for Outside Services	351,959	232,969	584,928
Client Expenses	9,326	-	9,326
Credit Card Processing Fees	-	905	905
Depreciation Expense	20,733	2,827	23,560
Drug Screen	1,078	-	1,078
Employee Benefits	559	1,788	2,347
Furniture	5,824	-	5,824
Insurance	40,857	50,839	91,696
Interest Expense	2,082	59	2,141
Licenses	4,072	3,572	7,644
Miscellaneous Expenses	454	124	578
Office Expenses	794	501	1,295
Payroll Expenses	205,811	95	205,906
Pest Control Services	2,040	-	2,040
Postage and Delivery	61	-	61
Professional Fees	3,285	17,000	20,285
Repairs	10,968	-	10,968
Rent	60,884	5,550	66,434
Security Expenses	455	-	455
Storage	5,725	718	6,443
Supplies	10,260	371	10,631
Telephone	8,746	-	8,746
Training	750	-	750
Utilities	19,527	-	19,527
TOTAL	\$ 777,970	\$ 317,893	\$ 1,095,863



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LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENTS OF CASH FLOWS
(See Notes to Financial Statements)
For the Years Ended June 30, 2023 and 2022

	2023	2022 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 399,534	\$ 124,182
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	33,415	23,560
Noncash PPP Loan Forgiveness	-	(68,000)
Decrease (Increase) in Assets:		
Receivables	(325,537)	68,165
Prepaid expenses and other assets	9,195	(12,625)
Governmental Receivables	97,056	(97,056)
Increase (Decrease) in Liabilities:		
Accounts payable	423	5,514
Payroll liabilities	(191)	(5)
Accrued Insurance	7,577	8,147
Other liabilities	1,563	(3,717)
NET CASH PROVIDED BY OPERATING ACTIVITIES	223,035	48,165
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Equipment, and Vehicles	(104,418)	(6,000)
Purchase of Building and Improvements	(163,897)	(10,250)
Purchase of Land	(10,000)	-
Construction in Progress	(173,338)	-
NET CASH USED IN INVESTING ACTIVITIES	(451,653)	(16,250)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(8,702)	(48,606)
Proceeds from (Payments to) related parties net	267,948	(72,854)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	259,246	(121,460)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	30,628	(89,545)
BEGINNING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	218,186	307,731
ENDING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	\$ 248,814	\$ 218,186

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

Cash and Cash Equivalents, Unrestricted	\$ 244,519	\$ 218,176
Restricted Cash in Current Assets	4,295	10
	\$ 248,814	\$ 218,186

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Financial Statement Presentation – LHRC reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity. Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of LHRC, the environment in which it operates, the purposes specified in corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reporting in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. LHRC does not have any net assets with donor restrictions for the year ended June 30, 2023 and 2022.

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

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

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

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

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

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Depreciation expense was \$32,534 and \$23,559 for years ended June 30, 2023 and 2022, respectively.

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

Income Taxes – The Organization has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501c(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made; however, if the Organization should engage in activities unrelated to the purpose for which it was created, taxable income could result. The Organization has no unrelated business income for the years ended June 30, 2023 and 2022.

Advertising – LHRC follows the policy of charging the costs of advertising to expense as incurred. Advertising costs were \$970 and \$0 for the years ended June 30, 2023 and 2022, respectively.

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

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

NOTE 2: INCOME TAXES

The Organization follows FASB Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The guidance prescribes a recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As of June 30, 2023, and June 30, 2022, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Generally, the tax years prior to June 30, 2020, are no longer subject to examination by federal, state, or local taxing authorities.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 3: LINE OF CREDIT

The Organization has two lines of credit with a bank for \$50,000 each. The interest rate was 4.10% and 2.5% at June 30, 2023 and 2022 for each line of credit, respectively. The lines of credit mature in October 2025. The outstanding balance at June 30, 2023 and 2022 was \$0 and \$0, respectively, for both lines of credit.

NOTE 4: LONG TERM DEBT

The following is a summary of long-term notes payable at June 30, 2023:

Note payable in the original amount of \$32,839 with a 7.74% interest rate and payable in 48 monthly installments of \$860, with the last payment due in February 2025, secured by a vehicle.	\$ 16,082
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Less Current Maturities of Long-Term Note Payable	(9,400)
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Long-Term Note Payable	<u>\$ 6,682</u>
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Maturities of long-term debt for the next two years ending June 30 are:

2024	\$ 9,400
2025	<u>6,682</u>

TOTAL	<u>\$ 16,082</u>
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Interest paid during the year ending June 30, 2023 and 2022 was \$1,614 and \$2,131, respectively.

NOTE 5: RELATED PARTY TRANSACTIONS

Johnson Management Group, LLC- LHRC contracts with Johnson Management Group, LLC, a company whose managing member is the previous Executive Director of LHRC. During the year ending June 30, 2023 and 2022, LHRC paid Johnson Management Group, LLC \$544,945 and \$511,858 respectively, for administrative personnel, management fees, and other various expenses under these agreements. Johnson Management Group, LLC also bills and collects rents on buildings and submits these collections to the corresponding related party. The amounts collected for the year ending June 30, 2023 and 2022 was \$16,800 and \$16,800, respectively. Additionally, LHRC owed Johnson Management Group, LLC \$121,936 and \$123,188 at June 30, 2023 and 2022, respectively.

Temple Properties, LLC- LHRC leases commercial property from Temple Properties, LLC, for the year ended June 30, 2023 and 2022. The previous Executive Director of LHRC is a member and manager of Temple Properties, LLC. The rental expense incurred under these leases for the year ended June 30, 2023 and 2022 was \$45,000 and \$45,000, respectively.

Louisiana Health & Rehab Options, Inc. (LHRO) – LHRC reimbursed LHRO for purchases made on LHRC's behalf related to fixed assets and operating expenses. The net amount borrowed for the year ended June 30, 2023, was \$269,199 and the net amount paid for the year ended June 30, 2022, was \$14,043. At June 30, 2023 and 2022, LHRC owed LHRO \$336,529 and \$67,330, respectively.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 6: LEASES

LHRC leases one of its facilities, Reality House, from a related party for \$3,750 per month. The lease expires on June 30, 2024. Future minimum lease payments are \$45,000. Rent expense for June 30, 2023 and 2022 was \$45,000 and \$45,000, respectively.

LHRC leases office space from a related party for \$1,400 per month. The lease expires on June 30, 2024. Future minimum lease payments are \$16,800. Rent expense for June 30, 2023 and 2022 was \$16,800 and \$16,800, respectively.

LHRC leases a copier on a month-to-month basis for \$258 per month plus additional usage charges for the year ended June 30, 2023 and 2022, respectively. Lease expense was \$2,734 and \$3,088 for the year ended June 30, 2023 and 2022, respectively.

LHRC leases a storage facility on a month-to-month basis for \$565 per month. Lease expense was \$7,087 and \$6,443 for the years ended June 30, 2023 and 2022, respectively.

NOTE 7: ECONOMIC DEPENDENCY

LHRC derives its revenues from governmental sources as earned revenue or grants, the loss of which would have a material adverse effect on LHRC. During the year ended June 30, 2023 and 2022, revenue derived from governmental sources accounted for 88% and 98% of support recorded by LHRC, respectively.

NOTE 8: CONTINGENCIES

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

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

NOTE 9: PRIOR PERIOD ADJUSTMENT

During 2022, the Agency received funds pursuant to the Employee Retention Credit (ERC) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020. This refundable tax credit refunds payments made by the Agency for federal employment taxes during 2020 and 2021. This refund also included interest on the amount of the payments made from the date of those payments. Therefore, the net assets as of June 30, 2022, have been restated to include the refund amount which increased beginning net assets by \$97,056 and increased governmental receivable by the same amount.

NOTE 10: NEW ACCOUNTING PRONOUNCEMENTS

In July 2022, the Agency adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, Not-for-Profit Entities (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities Contribute Nonfinancial Assets*. The ASU required nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The Agency's adoption of ASU No. 2020-07 did not result in any adjustments to their financial statement presentation.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023 and 2022

NOTE 10: NEW ACCOUNTING PRONOUNCEMENTS (Continued)

In February 2016, the FASB issues ASU No. 2016-02, Leases (Topic ASC 842) intended to improve financial reporting regarding leasing transactions. The new standard affects all companies and organizations that lease assets. The standard requires organizations to recognize, on the balance sheet, the assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative and quantitative disclosures providing additional information about the amounts recorded in the financial statements. There were no leases recognized on the balance sheet as of June 30, 2023.

NOTE 11: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	<u>6/30/2023</u>	<u>6/30/2022</u>
Current Assets, excluding nonfinancial assets	\$681,136	\$324,971
Less those unavailable for general expenditures within one year:		
Restricted cash	<u>(4,295)</u>	<u>(10)</u>
Financial Assets available to meet cash needs for		
General expenditures within one year	<u>\$676,841</u>	<u>\$324,961</u>

NOTE 12: SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 28, 2023, the date the financial statements were available to be issued.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD, POLITICAL SUBDIVISION HEAD OR CHIEF EXECUTIVE OFFICER
For the Years Ended June 30, 2023 and 2022

Agency Head Name: Mrs. Tameka Blakes, Executive Director

LHRC does not pay any compensation, reimbursement, benefits, or other payments to the executive director. There are no reportable amounts as of June 30, 2023, and 2022.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Louisiana Health and Rehabilitation Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

CPAs & Financial Advisors
Baton Rouge, Louisiana
December 28, 2023



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Louisiana Health and Rehabilitation Center, Inc.'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 Louisiana Health and Rehabilitation Center, Inc.'s major federal programs for the year ended June 30, 2023. Louisiana Health and Rehabilitation Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Louisiana Health and Rehabilitation Center, Inc. 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; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Louisiana Health and Rehabilitation Center, Inc. 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 Louisiana Health and Rehabilitation Center, Inc.'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 Louisiana Health and Rehabilitation Center, Inc.'s federal programs.

Auditor's 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 Louisiana Health and Rehabilitation Center, Inc.'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 generally accepted auditing standards, *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 Louisiana Health and Rehabilitation Center, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Louisiana Health and Rehabilitation Center, Inc.'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 Louisiana Health and Rehabilitation Center, Inc.'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 Louisiana Health and Rehabilitation Center, Inc.'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 Auditor's 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.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
December 28, 2023

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services		
Pass-through programs from:		
Louisiana Department of Health and Hospitals		
Capital Area Human Services District		
* Temporary Assistance for Needy Families	93.558	1,319,543
Louisiana Department of Health and Human Services		
Central Louisiana Human Services District		
Substance Abuse Block Grant - Covid Supplement	93.959	<u>116,800</u>
Total		<u>\$ 1,436,343</u>
* Major Program		

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

NOTE 3: INDIRECT COST RATE

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

NOTE 4: SUBRECIPIENTS

The Organization did not pass through any of its federal awards to a subrecipient during the fiscal year June 30, 2023.

NOTE 5: NON-CASH ASSISTANCE

No federal awards were expended in the form of non-cash assistance during the fiscal year June 30, 2023.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Years Ended June 30, 2023 and 2022

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None
reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None
reported

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

Unmodified Opinion

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Federal Program or Cluster</u>
93.558	Temporary Assistance for Needy Families

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

Auditee qualified as low-risk auditee? X Yes _____ No

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

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

Internal Control Findings-No Findings Noted

Compliance Findings-No Findings Noted

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

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

Internal Control Findings-No Findings Noted

Compliance Findings-No Findings Noted

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Louisiana Health and Rehabilitation Center (LHRC) and the Louisiana Legislative Auditor:

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

Louisiana Health and Rehabilitation Center, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform 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 and associated findings are as follows:

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.
 - 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.
 - iii. **Disbursements**, including processing, reviewing, and approving.
 - 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).
 - 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(s) rate of pay or approval and maintenance of pay rate schedules.
 - 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
 - vii. **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.).
 - viii. **Credit Cards (and debit cards, fuel cards, P-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).

- 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.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- 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.
- xii. **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

No exceptions noted.

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. Report whether the managing board 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.
 - 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 fund. *Alternately, for those entities reporting on the nonprofit 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.*
 - 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.
 - 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.

No exceptions noted.

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:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged).
 - ii. Bank reconciliations include evidence that a member of management/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
 - 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 exceptions 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).
- 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 (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, 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:
- i. Employees responsible for cash collections do not share cash drawers/registers.
 - ii. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - iii. Each employee responsible for collecting cash is not 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.
 - 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, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

No exceptions noted.

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

No exceptions noted.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (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). *Alternately, 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:
- i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe 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).
 - v. Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

5) Non-Payroll Disbursements (excluding card purchases/payments, 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).
- No exceptions noted.*
- B. For each location selected under #8 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, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - ii. At least two employees are involved in processing and approving payments to vendors.
 - 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.
 - 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.

No exceptions 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:
- i. Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #5B, as applicable.

No exceptions noted.

- 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 exceptions noted.

6) Credit Cards/Debit Cards/Fuel Cards/P-Cards

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-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.

No exceptions noted.

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

No exceptions noted.

- C. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe 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 note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Finding:

With regards to item "C" there were two transactions that were not properly approved.

Management's Response:

Proper restrictions will be placed in the years to come.

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, 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:
- i. If reimbursed using a per diem, observe 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).
 - ii. If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - iii. Observe 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 policy (procedure #1h).
 - iv. Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Not Applicable.

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. *Alternately, 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:
- 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.
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law.
 - iii. If the contract was amended (e.g., change order), observe 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, was approval documented).
 - 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 the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted

9) Payroll and Personnel

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

No exceptions noted.

- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- i. Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - iii. Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - iv. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

No exceptions 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, 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 or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Not Applicable – no termination payments during fiscal period.

- 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.

Not Applicable

10) Ethics

- A. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Not Applicable.

11) Debt Service

- i. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.

Not Applicable – no debt service.

- ii. 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).

Not Applicable – no debt service.

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.

No exceptions noted.

- B. Observe 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 exceptions 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 no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

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

No exceptions noted.

- 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.

No exceptions noted.

- 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 evidence that the selected terminated employees have been removed or disabled from the network.

Not Applicable

14) Prevention Sexual Harassment

- A. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Not Applicable

- B. Observe 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).

Not Applicable

- 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 it 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.
 - ii. Number of sexual harassment complaints received by the agency.
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred.
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

Not Applicable

We were engaged by Louisiana Health and Rehabilitation Center, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. 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 Louisiana Health and Rehabilitation Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
December 28, 2023

