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REPORT
ODYSSEY HOUSE LOUISIANA, INC.
JUNE 30, 2009 AND 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/11/09

ODYSSEY HOUSE LOUISIANA, INC.

JUNE 30, 2009 AND 2008

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MEMBERS
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INDEPENDENT AUDITOR'S REPORT

October 12, 2009

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

We have audited the accompanying statements of financial position of Odyssey House Louisiana, Inc. (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office and Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Odyssey House Louisiana, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2009 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
ASSETS:		
Cash (Notes 1 and 9)	\$ 70,001	\$ 50,688
Restricted cash - imposed by grantor	557,931	545,155
Investments (Notes 1 and 2)	8,384	9,790
Receivables:		
Grants (Notes 1 and 3)	1,755,093	1,217,628
Other	5,339	25,418
Unconditional promise to give (Note 5)	54,544	76,365
Inventory (Note 1)	2,000	2,000
Prepaid expenses and deposits	131,443	87,943
Property, buildings and equipment - net of accumulated depreciation (Notes 1 and 7)	<u>4,796,594</u>	<u>2,412,474</u>
 TOTAL ASSETS	 <u>\$ 7,381,329</u>	 <u>\$ 4,427,461</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable and accrued liabilities	\$ 958,772	\$ 623,751
Program advances	623,322	553,678
Loan payable (Note 14)	344,748	-
Line of credit (Note 13)	<u>2,202,975</u>	<u>964,975</u>
Total liabilities	<u>4,129,817</u>	<u>2,142,404</u>
 NET ASSETS:		
Unrestricted	3,188,584	2,198,902
Temporarily restricted (Note 1)	56,826	80,053
Permanently restricted (Note 2)	<u>6,102</u>	<u>6,102</u>
Total net assets	<u>3,251,512</u>	<u>2,285,057</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 7,381,329</u>	 <u>\$ 4,427,461</u>

See accompanying notes.

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES:				
United Way grant revenue	\$ 75,712	\$ 54,544	\$ -	\$ 130,256
Contributions	110,872	-	-	110,872
Government grants	-	8,652,431	-	8,652,431
Investment return (Note 2)	(1,193)	-	-	(1,193)
Other	322,559	-	-	322,559
Total revenues	<u>507,950</u>	<u>8,706,975</u>	<u>-</u>	<u>9,214,925</u>
EXPENSES:				
Program services				
Residential/detox services	2,729,130	-	-	2,729,130
Outpatient/medical services	1,246,430	-	-	1,246,430
Sober living/housing services	1,368,276	-	-	1,368,276
Case management services	1,903,326	-	-	1,903,326
Other	244,492	-	-	244,492
Supporting activities				
Management and general	684,138	-	-	684,138
Fundraising	72,678	-	-	72,678
Total expenses	<u>8,248,470</u>	<u>-</u>	<u>-</u>	<u>8,248,470</u>
Net assets released from restrictions (Note 4)	<u>8,730,202</u>	<u>(8,730,202)</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	989,682	(23,227)	-	966,455
NET ASSETS AT BEGINNING OF YEAR	<u>2,198,902</u>	<u>80,053</u>	<u>6,102</u>	<u>2,285,057</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,188,584</u>	<u>\$ 56,826</u>	<u>\$ 6,102</u>	<u>\$ 3,251,512</u>

See accompanying notes.

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE:				
United Way grant revenue	\$ 87,845	\$ 76,365	\$ -	\$ 164,210
Contributions	439,167	-	-	439,167
Government grants	-	8,162,389	-	8,162,389
Investment return (Note 2)	648	-	-	648
Other	264,485	-	-	264,485
Total revenues	<u>792,145</u>	<u>8,238,754</u>	<u>-</u>	<u>9,030,899</u>
EXPENSES:				
Program services				
Residential/detox services	1,979,072	-	-	1,979,072
Outpatient/medical services	1,002,744	-	-	1,002,744
Sober living/housing services	337,568	-	-	337,568
Case management services	4,426,370	-	-	4,426,370
Other	40,259	-	-	40,259
Supporting activities				
Management and general	991,381	-	-	991,381
Fundraising	15,458	-	-	15,458
Total expenses	<u>8,792,852</u>	<u>-</u>	<u>-</u>	<u>8,792,852</u>
Net assets released from restrictions	<u>8,207,590</u>	<u>(8,207,590)</u>	<u>-</u>	<u>-</u>
INCREASE IN NET ASSETS	206,883	31,164	-	238,047
NET ASSETS AT BEGINNING OF YEAR	<u>1,992,019</u>	<u>48,889</u>	<u>6,102</u>	<u>2,047,010</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,198,902</u>	<u>\$ 80,053</u>	<u>\$ 6,102</u>	<u>\$ 2,285,057</u>

See accompanying notes.

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	Program Services				Supporting Activities			Total
	Residential/ Detox	Outpatient/ Medical	Sober Living/ Housing	Case Management	Other	Management and General	Fundraising	
Compensation expenses	\$ 1,423,002	\$ 778,149	\$ 340,989	\$ 1,425,215	\$ 142,232	\$ 497,035	\$ 46,053	\$ 4,652,675
Occupancy	171,983	38,829	49,884	209,907	32,094	15,032	-	517,729
Travel and transportation expenses	7,067	7,367	49,199	15,140	80	35,283	-	114,136
Specific assistance	20,361	9	796,383	7,897	-	-	-	824,650
Other direct program/ support expenses	<u>1,011,757</u>	<u>416,667</u>	<u>127,249</u>	<u>211,100</u>	<u>69,827</u>	<u>133,091</u>	<u>26,625</u>	<u>1,996,316</u>
Total expenses before depreciation and amortization	2,634,170	1,241,021	1,363,704	1,869,259	244,233	680,441	72,678	8,105,506
Depreciation and amortization	<u>94,960</u>	<u>5,409</u>	<u>4,572</u>	<u>34,067</u>	<u>259</u>	<u>3,697</u>	<u>-</u>	<u>142,964</u>
TOTAL EXPENSES	<u>\$ 2,729,130</u>	<u>\$ 1,246,430</u>	<u>\$ 1,368,276</u>	<u>\$ 1,903,326</u>	<u>\$ 244,492</u>	<u>\$ 684,138</u>	<u>\$ 72,678</u>	<u>\$ 8,248,470</u>

See accompanying notes.

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Program Services</u>				<u>Supporting Activities</u>			<u>Total</u>
	<u>Residential/ Detox</u>	<u>Outpatient/ Medical</u>	<u>Sober Living/ Housing</u>	<u>Case Management</u>	<u>Other</u>	<u>Management and General</u>	<u>Fundraising</u>	
Compensation expenses	\$ 1,047,591	\$ 640,269	\$ 144,309	\$ 3,556,824	\$ 15,464	\$ 678,135	\$ 15,458	\$ 6,098,050
Occupancy	219,451	32,788	11,548	339,833	8,027	57,685	-	669,332
Travel and transportation expenses	18,073	7,708	123	34,305	162	96,196	-	156,567
Specific assistance	56,454	477	116,586	2,691	-	8,209	-	184,417
Other direct program/ support expenses	<u>614,670</u>	<u>309,933</u>	<u>61,110</u>	<u>441,648</u>	<u>16,139</u>	<u>139,540</u>	<u>-</u>	<u>1,583,040</u>
Total expenses before depreciation and amortization	1,956,239	991,175	333,676	4,375,301	39,792	979,765	15,458	8,691,406
Depreciation and amortization	<u>22,833</u>	<u>11,569</u>	<u>3,892</u>	<u>51,069</u>	<u>467</u>	<u>11,616</u>	<u>-</u>	<u>101,446</u>
TOTAL EXPENSES	<u>\$ 1,979,072</u>	<u>\$ 1,002,744</u>	<u>\$ 337,568</u>	<u>\$ 4,426,370</u>	<u>\$ 40,259</u>	<u>\$ 991,381</u>	<u>\$ 15,458</u>	<u>\$ 8,792,852</u>

See accompanying notes.

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 966,455	\$ 238,047
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	142,964	101,446
Unrealized depreciation of investments	1,406	351
Changes in assets and liabilities:		
Increase in grants receivable	(537,465)	(89,369)
Increase in other receivable	20,079	(16,288)
Increase in prepaid expenses	(43,500)	(82,921)
(Increase) decrease in unconditional promises to give	21,821	(76,365)
Increase in accounts payable and accrued liabilities	335,021	346,083
Increase in program advance	69,644	497,696
Net cash provided by operating activities	<u>976,425</u>	<u>918,680</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	<u>(2,527,084)</u>	<u>(895,814)</u>
Net cash used by investing activities	<u>(2,527,084)</u>	<u>(895,814)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under line of credit	1,238,000	368,649
Borrowings under loans payable	375,000	-
Payments under loans payable	<u>(30,252)</u>	<u>(200,000)</u>
Net cash provided by financing activities	<u>1,582,748</u>	<u>168,649</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	32,089	191,515
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>595,843</u>	<u>404,328</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 627,932</u>	<u>\$ 595,843</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the year:		
Interest	<u>\$ 80,116</u>	<u>\$ 34,574</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>
NONCASH INVESTING ACTIVITIES:		
Decrease in investments through depreciation of investments	<u>\$ (1,406)</u>	<u>\$ (351)</u>

See accompanying notes.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

ORGANIZATION PURPOSE:

Odyssey House Louisiana, Inc. (the Corporation) is a nonprofit corporation organized under the laws of the State of Louisiana. The Corporation was established in 1973 as a nonprofit residential substance abuse treatment facility with the mission of empowering people to conquer addiction. Today, the Corporation 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. The Corporation's primary source of revenue is federal grant income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of Odyssey House Louisiana, Inc.'s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Presentation:

The Corporation's financial statements are prepared on the accrual basis of accounting. The net assets of the Corporation are reported in each of the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

A description of the three net asset categories follows:

Permanently Restricted Net Assets

These are net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets

These are net assets subject to donor-imposed stipulations that may or will be met by actions of the Corporation and/or the passage of time.

Contributions received with donor-imposed restrictions that are met in the same year received are reported as revenues of the unrestricted net asset class.

Unrestricted Net Assets

These are net assets not subject to donor-imposed stipulations.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Unrestricted Net Assets (Continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition:

For financial reporting, the Corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

Grant revenue is recognized as it is earned in accordance with approved contracts.

Investments:

The Corporation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair value based on quoted prices for identical securities in active markets (all Level 1 measurements) in the Statements of Financial Position. Unrealized gains and losses are included in the changes in net assets in the accompanying Statements of Activities.

Receivables:

The Corporation considers accounts receivable to be fully collectible since the balance primarily consists of payments due under government contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made. Bad debt expense for the year ended June 30, 2009 was \$48,640. There was no bad debt expense for the year ended June 30, 2008.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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:

Odyssey House Louisiana, Inc. records property acquisitions at cost. Donated assets are recorded at estimated value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2009 and 2008 totaled \$142,964 and \$101,446, respectively.

It is the policy of the Corporation to capitalize all property, buildings and equipment that are acquired as a result of a bulk purchase with an aggregate cost that exceeds \$5,000. Other property, buildings and equipment not acquired by bulk purchase are capitalized when the acquisition cost is in excess of \$5,000. Routine repairs and maintenance are expensed as incurred.

Cash Equivalents:

For purposes of the statement of cash flows, the Corporation has defined cash equivalents as those amounts included in the statements of financial position caption "cash". Restricted cash is limited in use to receipts and payments associated with federal and state grants.

Functional Expenses:

The expenses of providing the programs and other activities have been summarized on a functional basis between program services and supporting activities in the statement of functional expenses. Certain of those expenses have been allocated among the program services and supporting activities based on estimates by management of the costs involved.

In-Kind Contributions

A variety of noncash items such as furniture and other items to assist in fundraising were donated to the Corporation throughout the year. These items are recorded as contributions based on their fair market value as of the date of the contribution. The total amount of these contributions reported in the statement of activities for the year ended June 30, 2009 was estimated to be \$31,337. This amount was offset entirely during 2009 by expenses reported in the statement of activities upon utilization of the items by the Corporation. There were no in-kind contributions for the year ended June 30, 2008.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

2. INVESTMENTS:

The investments at June 30, 2009 consist of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Mutual fund	\$ <u>7,025</u>	\$ <u>8,384</u>	\$ <u>2,282</u>	\$ <u>6,102</u>

The investments at June 30, 2008 consist of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Mutual fund	\$ <u>7,025</u>	\$ <u>9,790</u>	\$ <u>3,688</u>	\$ <u>6,102</u>

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 Odyssey House Louisiana, Inc. while maintaining the integrity of the corpus.

The unrealized depreciation for the years ended June 30, 2009 and 2008 totaled \$1,425 and \$628, respectively, and the cumulative unrealized appreciation as of June 30, 2009 and 2008 totaled \$1,359 and \$2,765, respectively.

Investment return at June 30, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Interest	\$ 213	\$ 999
Net realized and unrealized loss	<u>(1,406)</u>	<u>(351)</u>
	<u>\$ (1,193)</u>	<u>\$ 648</u>

3. GRANT RECEIVABLES:

Grant receivables at June 30, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
State of Louisiana:		
Department of Health and Hospitals	\$ 1,029,853	\$ 439,474
Department of Public Safety and Corrections	8,333	8,331
U.S. Department of Health and Human Services	27,323	14,375
U.S. Department of Housing and Urban Development	339,008	482,963
U.S. Department of Labor	58,662	40,644
U.S. Probations Office	35,170	68,880
Unity for the Homeless, Inc.	<u>256,744</u>	<u>162,961</u>
	<u>\$ 1,755,093</u>	<u>\$ 1,217,628</u>

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

4. NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from donor and grantor restrictions by incurring expenses satisfying the restricted purposes and by satisfying the time restriction during the fiscal years ended June 30, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Purpose of restrictions accomplished:		
Program services	\$ <u>8,730,202</u>	\$ <u>8,207,590</u>

5. UNCONDITIONAL PROMISE TO GIVE:

The unconditional promise to give represents the United Way allocation for the program years July 1, 2008 – June 30, 2009 and July 1, 2007 – June 30, 2008, respectively. The United Way allocation totaled \$54,544 and \$76,365 for the years ended June 30, 2009 and 2008, respectively. These amounts are temporarily restricted until the Corporation satisfies the time restriction.

6. 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

7. PROPERTY, BUILDINGS AND EQUIPMENT:

Property, buildings and equipment at June 30, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Buildings and improvements	\$ 2,117,633	\$ 395,219
Furniture and fixtures	<u>470,982</u>	<u>441,434</u>
	2,588,615	836,653
Less accumulated depreciation	<u>(482,331)</u>	<u>(339,368)</u>
Total assets being depreciated	2,106,284	497,285
Land	663,726	426,355
Construction in progress	1,310,172	715,863
Buildings not in service	<u>716,412</u>	<u>772,971</u>
	\$ <u>4,796,594</u>	\$ <u>2,412,474</u>

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

7. PROPERTY, BUILDINGS AND EQUIPMENT: (Continued)

In 2006 the Corporation purchased three buildings with federal funds received under the Housing Opportunities for Persons with Aids (HOPWA) grant. Two of the buildings have not been placed in service as of June 30, 2009 since HOPWA grant funding was suspended in a prior year. The suspension results from lack of compliance with the grant requirements related to the purchase of the buildings. The HOPWA grant was officially reinstated September 26, 2008, and the remaining properties should be placed in service during the fiscal year ending June 30, 2010.

8. INCOME TAXES:

The Corporation is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.

9. CREDIT RISK:

The Corporation maintains cash balances at financial institutions in southeast Louisiana. At June 30, 2009 and 2008, accounts at these institutions were fully insured by the Federal Deposit Insurance Corporation. The Corporation has not experienced any losses in such accounts and, in management's opinion, cash is not exposed to any significant credit risk.

10. BOARD OF DIRECTORS COMPENSATION:

The board of directors is a voluntary board; therefore, no compensation was paid to any board member during the years ended June 30, 2009 and 2008.

11. FEDERALLY ASSISTED PROGRAMS:

Odyssey House Louisiana, Inc. participates in a number of federally assisted programs. These programs were audited in accordance with *Government Auditing Standards* and *OMB Circular A-133*.

Odyssey House Louisiana, Inc. is reimbursed on a per diem basis on rates set by the State of Louisiana. If there was 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.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

12. ECONOMIC DEPENDENCY:

Odyssey House Louisiana, Inc. received the majority of its revenue from funds provided through grants administered by the City of New Orleans and the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of funds the Corporation receives could be reduced significantly and have an adverse impact on its operations.

The Corporation's support through grants totaled 91% and 90% of revenue for the years ended June 30, 2009 and 2008, respectively.

13. COMMITMENTS:

During the year ended June 30, 2009, the Corporation established a commercial line of credit with JP Morgan Chase Bank for a maximum borrowing amount of \$2,000,000. The maturity date for the line of credit was August 28, 2009; however, an extension was obtained on September 24, 2009, extending the maturity date of the loan to three months from the original maturity date. As of June 30, 2009, the principal balance outstanding on the line of credit was \$1,900,000.

The Corporation established a second revolving line of credit with JP Morgan Chase Bank on October 31, 2008 for a maximum borrowing of \$308,000 for a one year period. As of June 30, 2009, the principal balance outstanding on the line of credit was \$302,975.

The lines of credit with JPMorgan Chase Bank are collateralized by a mortgage encumbering property located in New Orleans, Louisiana and the Corporation's accounts receivable. Interest on this note is accrued at the prime rate plus 0%. Currently, the interest rate is 3.25% on the first line of credit and 5.5% on the second line of credit. Interest is paid monthly; principal and all remaining accrued interest is due at maturity.

As of June 30, 2009, pursuant to an agreement with the Road Home program, the Corporation had available \$204,700 in commitments, none of which were outstanding at that date.

As of June 30, 2008 the Corporation had two outstanding lines of credit with Capital One Bank for maximum borrowings of \$600,000 and \$200,000, respectively. As of June 30, 2008 the principal balances outstanding on these lines of credit were \$574,642 and \$140,333, respectively. The lines of credit were collateralized by a mortgage encumbering property located in New Orleans, Louisiana. As of June 30, 2008 the interest rates were 8.0% and 5.0%, respectively. The lines of credit matured and were paid off during the fiscal year ended June 30, 2009.

ODYSSEY HOUSE LOUISIANA, INC.
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

13. COMMITMENTS: (Continued)

As of June 30, 2008 the Corporation also had a line of credit with JPMorgan Chase Bank for maximum borrowing of \$500,000 with an interest rate of 4.0%. As of June 30, 2008 the principal balance outstanding on the line of credit was \$250,000. The line of credit was collateralized by a mortgage encumbering property in New Orleans, Louisiana and the Corporation's accounts receivable. The line of credit matured and was paid off during the fiscal year ended June 30, 2009.

14. LOAN PAYABLE:

The Corporation signed a promissory note with JP Morgan Chase on November 25, 2008 in the amount of \$375,000 with an interest rate of 7%. The note was secured for the purpose of acquiring property to be used in the Corporation's operations. The acquired property is being held as collateral for the promissory note. The note is payable in seventy-two equal consecutive monthly installments of principal and interest payments in the amount of \$6,393 with the final installment being due on November 25, 2014. The outstanding balance on the note at June 30, 2009 was \$344,748.

Based on the existing loan balance, the future scheduled maturities of the loan are as follows:

2010	\$ 54,288
2011	58,212
2012	62,420
2013	66,933
2014	71,771
Thereafter	<u>31,124</u>
	<u>\$ 344,748</u>

15. RECLASSIFICATION:

Certain 2008 amounts have been reclassified to conform with the 2009 financial statements presentation.

16. SUBSEQUENT EVENT:

The Corporation established a promissory note with JP Morgan Chase on July 24, 2009 for a maximum borrowing of \$1,100,000 for a one-year period. Interest on this note will be accrued at 6.712 percentage points over LIBOR rate. The note is collateralized by three properties owned by the Corporation.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

16. SUBSEQUENT EVENT: (Continued)

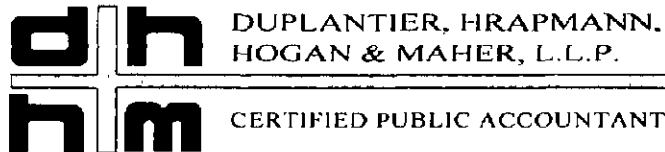
Management has evaluated subsequent events through the date that the financial statement were available to be issued on October 12, 2009 and determined that no events occurred that required disclosure, except for the line of credit reported above. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

17. SMALL RENTAL PROPERTY PROGRAM:

On February 27, 2009, the Corporation executed two commitment letters with the State of Louisiana, Division of Administration, Office of Community Development acting as the program administrator of the Road Home program, funded through the United States Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) Program. The commitment letters state that the State of Louisiana, Division of Administration, Office of Community Development agrees to make two "Incentive Loan" payments to the Corporation in the amounts of \$108,100 and \$96,600 as part of the Small Rental Property Program for two project properties located in New Orleans. The Incentive Loans are non-interest bearing and non-amortizing. The term of the Incentive Loans is twenty years from the date the loan proceeds are disbursed. The Incentive Loans will be forgiven at the end of the twenty years if the Corporation keeps the project properties in the Small Rental Property Program at affordable rates for the entire twenty years. The commitments require that the project properties must be ready for occupancy within 270 days following the date of the commitment unless extended by the lender. The Corporation received no funding under these commitments; therefore, the balances owed on these Incentive Loans was \$0 as of June 30, 2009.

18. RETIREMENT PLAN:

The Corporation 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. The Corporation will make matching contributions to the account of each eligible participant in an amount equal to the sum of 100% of the participants' elective deferrals but not to exceed 4% of the participants' compensation. Contributions to the plan during the year ended June 30, 2009 aggregated \$40,346. During the year ended June 30, 2008, the Corporation had a Simple IRA Plan and contributed \$19,908.



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MEMBERS
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SOCIETY OF LA C.P.A.'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*

October 12, 2009

Board of Directors
Odyssey House Louisiana, Inc.

We have audited the financial statements of Odyssey House Louisiana, Inc., as of and for the year ended June 30, 2009, and have issued our report thereon dated October 12, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Odyssey House Louisiana, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Odyssey House Louisiana, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Odyssey House Louisiana, Inc.'s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects Odyssey House Louisiana, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Odyssey House Louisiana, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Odyssey House Louisiana, Inc.'s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Odyssey House Louisiana, Inc.'s internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Odyssey House Louisiana, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 12, 2009

Board of Directors
Odyssey House Louisiana, Inc.

Compliance

We have audited the compliance of Odyssey House Louisiana, Inc. with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2009. Odyssey House Louisiana, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Odyssey House Louisiana, Inc.'s management. Our responsibility is to express an opinion on Odyssey House Louisiana, Inc.'s compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 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 Odyssey House Louisiana, Inc.'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. Our audit does not provide a legal determination of Odyssey House Louisiana, Inc.'s compliance with those requirements.

In our opinion, Odyssey House Louisiana, Inc., complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Odyssey House Louisiana, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Odyssey House Louisiana, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Odyssey House Louisiana, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

ODYSSEY HOUSE LOUISIANA, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

<u>Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
Funds passed through State of Louisiana:			
Department of Health and Hospitals:			
Access to Recovery		93.230	\$ 15,790
LA Public Health Institute- Primary Care Access and Stabilization Grant	155580164	93.779	724,026
MHSD Detox	654927	93.959	61,325
MHSD Residential	654930	93.959	295,100
MHSD Intensive Outpatient Program	675152	93.959	13,705
MHSD LAPPW	675153	93.243	84,785
SAMHSA	315-801932	93.243	72,955
Funds passed through City of New Orleans:			
Ryan W. White Title I	K08-615	93.118	<u>57,897</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,325,583</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
Disaster Housing Assistance Program	EK-07-08	97.109	<u>1,202,366</u>
Funds passed through Unity of Greater New Orleans, Inc.:			
Unity- Permanent Supportive Housing	LA48B-60-3001	14.157	407,594
Unity- Supportive Housing	LA48B-70-3034	14.235	243,604
Unity- Transitional Assistance Program	LA48B-30-3001	17.807	375,176
Unity- Shelter Plus Care	LA48C-70-3041	14.238	171,037
Unity- Building Renovations	357PUR12607CDDT	14.228	405,409
Funds passed through the City of New Orleans:			
Housing Opportunity for People With Aids	LAH05004	14.241	252,565
Super NOFA Emergency Shelter Grant	ESG-022M	14.231	<u>65,963</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>3,123,714</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
Funds passed through State of Louisiana:			
LA Department of Corrections	C-01-022	16.593	79,939
U.S. Probation Grant	07-DP-002B	16.593	<u>128,975</u>
TOTAL DEPARTMENT OF JUSTICE			<u>208,914</u>
<u>U.S. DEPARTMENT OF LABOR:</u>			
Louisiana Community Prisoner Reformation Program	PE-15250-06-60	17.261	<u>602,370</u>
TOTAL DEPARTMENT OF LABOR			<u>602,370</u>
TOTAL FEDERAL AWARDS			<u>\$ 5,260,581</u>

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Odyssey House Louisiana, Inc. and is presented on the accrual basis of accounting. Grant revenues are recorded, for financial reporting purposes, when Odyssey House Louisiana, Inc. has met the cost of reimbursement or funding qualifications for the respective grants.

ODYSSEY HOUSE LOUISIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- * Material weakness(es) identified? ___ yes X no
- * Significant deficiencies identified that are not
considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards:

Internal control over major programs:

- * Material weakness(es) identified? ___ yes X no
- * Significant deficiencies identified that are not
considered to be material weaknesses? ___ yes X none reported

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

Any audit findings disclosed that are required to be reported in
accordance with section 510(a) of Circular A-133: ___ yes X no

Identification of major programs:

<u>Name of Program</u>	<u>CFDA No.</u>	<u>Expenditures</u>
Disaster Housing Assistance Program	97.109	\$ 1,202,366
Unity Building Renovations	14.228	405,409
Unity Permanent Supportive Housing	14.157	407,594
Unity Transitional Assistance Program	17.807	375,176
MHSD Residential	93.959	295,100
MHSD Detox	93.959	61,325
		<u>\$ 2,746,970</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ___ yes X no

ODYSSEY HOUSE LOUISIANA, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II: FINDINGS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE
WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

NONE

SECTION III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

NONE

ODYSSEY HOUSE LOUISIANA, INC.
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

2008-01 Financial Statement Preparation

Condition: Management engaged the auditor to propose certain year-end adjusting journal entries and to prepare Odyssey House Louisiana, Inc.'s annual financial statements.

Status: This finding was resolved during the fiscal year ended June 30, 2009.

2008-02 Environmental Review

Condition: HUD contended that environmental review requirements were not complied with for the Housing Opportunities for Persons with Aids grant (CFDA No. 14.241). As a result, HUD had frozen funding under this grant.

Status: Subsequent to the June 30, 2008 year end, Odyssey House Louisiana, Inc. submitted an amendment to the HOPWA grant in which HUD approved. Odyssey House Louisiana, Inc. will expend the remainder of the grant monies for purposes that did not require an environmental review. HUD has extended the contract through September 30, 2010. Therefore, this finding has been resolved during the fiscal year ended June 30, 2009.

2008-03 Cash Management

Condition: Odyssey House Louisiana, Inc. transferred approximately \$724,000 from the PCASG account, but only reported approximately \$535,000 in expenses. Transfers of PCASG funds to another bank account maintained by the subawardee is limited to the reimbursement of PCASG related expenditures paid out of that account.

Status: Odyssey House Louisiana, Inc. reimbursed the PCASG account in the amount of approximately \$189,000 in June 2008. Management understands that this is not an allowable practice according to the terms of their contract and assures that they will not engage in this practice in the future. This did not occur during the fiscal year ended June 30, 2009.