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ACADIANA OUTREACH CENTER, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

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ACADIANA OUTREACH CENTER, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

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A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Acadiana Outreach Center, Inc.
Lafayette, Louisiana

We have audited the accompanying consolidated statement of financial position of Acadiana Outreach Center, Inc. (a non-profit organization) and its subsidiary as of June 30, 2009, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Acadiana Outreach Center, Inc as of June 30, 2008 were audited by other auditors whose report dated November 18, 2008, expressed an unqualified opinion. As discussed in Note 7 to the financial statements, Acadiana Outreach Center, Inc. has restated its 2008 financial statements during the current year to correct prepaid expenses and restricted contributions. The other auditor reported on the 2008 financial statements before the restatement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Acadiana Outreach Center, Inc. and its subsidiary as of June 30, 2009, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2009 on our consideration of Acadiana Outreach Center Inc.'s internal controls over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

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We also audited the adjustments described in Note 7 that were applied to restate the 2008 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2008 financial statements of Acadiana Outreach Center Inc. other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2008 financial statements taken as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 29, 2009

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ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

ASSETS

	2009	(as restated) 2008
CURRENT ASSETS		
Cash and cash equivalents	$ 568,490	$ 690,913
Cash held on behalf of others	24,589	39,902
Accounts receivable	45,252	27,818
Pledges receivable	69,002	58,268
Grants receivable	58,736	133,919
Prepaid expenses	56,393	49,378
Total current assets	822,462	1,000,198
PROPERTY AND EQUIPMENT		
Property and equipment	1,868,041	1,759,075
Less: Accumulated depreciation	(751,655)	(714,125)
	1,116,386	1,044,950
Total Assets	$ 1,938,848	$ 2,045,148

LIABILITIES AND NET ASSETS

	2009	(as restated) 2008
CURRENT LIABILITIES		
Accounts payable	$ 70,010	$ 32,210
Accrued expenses	8,593	16,990
Lease payable - current portion	4,159	3,869
Amounts held on behalf of others	24,589	39,902
Total current liabilities	107,351	92,971
LONG-TERM LIABILITIES		
Lease payable - less current portion	137,750	142,002
Lease deposit	1,000	1,000
Total long-term liabilities	138,750	143,002
Total liabilities	246,101	235,973
NET ASSETS		
Unrestricted net assets	1,692,747	1,809,175
Total net assets	1,692,747	1,809,175
Total Liabilities and Net Assets	$ 1,938,848	$ 2,045,148

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

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	(as restated) 2008
REVENUES		
Donor contributions	$ 164,899	$ 179,793
Special events	496,716	667,877
Investment income	9,905	18,729
Grants	878,472	670,346
In-kind donations	770,675	867,563
Program revenue	318,600	334,459
Total revenues	2,639,267	2,738,767
EXPENSES		
Program	2,271,707	2,189,764
Management and general	339,733	273,469
Fundraising	144,255	210,520
Total expenses	2,755,695	2,673,753
CHANGE IN NET ASSETS	(116,428)	65,014
Net assets at beginning of year, as previously reported	1,760,366	1,734,724
Correction of prepaid expenses	48,809	9,437
Net assets at beginning of year, as restated	1,809,175	1,744,161
Net assets at end of year	$ 1,692,747	$ 1,809,175

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

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	(as restated) 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (116,428)	$ 65,014
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	96,000	97,476
Loss on disposition of assets	33,529	-
Changes in operating assets and liabilities:		
Accounts receivable	(17,434)	19,728
Pledges receivable	(10,734)	(6,813)
Grants receivable	75,183	146,081
Prepaid expenses	(7,015)	(38,641)
Accounts payable	37,800	7,365
Accrued expenses	(8,397)	1,590
Net cash provided by operating activities	82,504	291,800
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(200,965)	(283,424)
Net cash used in investing activities	(200,965)	(283,424)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on lease payable	(3,962)	(3,598)
Proceeds from financing	-	142,002
Deposit on captial lease	-	1,000
Net cash provided by (used in) financing activities	(3,962)	139,404
Net increase (decrease) in cash and cash equivalents	(122,423)	147,780
Cash and cash equivalents - beginning of year	690,913	543,133
Cash and cash equivalents - end of year	$ 568,490	$ 690,913
Supplemental Information:		
Cash paid for interest expense	$ 10,077	$ 12,004

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

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2009 AND 2008

	2009			
	Program	Management and General	Fundraising	Total
Salary and wages expense	$ 959,047	$ 43,555	$ 10,889	$ 1,013,491
Professional fees	16,876	1,048	-	17,924
Client assistance expense	311,979	-	-	311,979
Insurance	56,162	8,471	-	64,633
Office expenses	17,195	72,448	-	89,643
Utilities and waste expense	91,400	17,102	-	108,502
Repairs and maintenance	7,565	36,531	-	44,096
Staff development	3,254	5,348	-	8,602
Fundraising expense	-	-	125,371	125,371
Interest expense	1,594	8,483	-	10,077
In-kind donations expense	741,685	20,995	7,995	770,675
Depreciation expense	-	96,000	-	96,000
Development expense	-	15,956	-	15,956
Homeless Management Information Systems (HMIS) expense	57,869	-	-	57,869
Other expenses	7,081	13,796	-	20,877
	$ 2,271,707	$ 339,733	$ 144,255	$ 2,755,695

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

2008 (as restated)			
Program	Management and General	Fundraising	Total
$ 924,050	$ 48,964	$ 12,241	$ 985,255
11,442	2,271	-	13,713
178,035	-	-	178,035
84,196	7,314	-	91,510
30,043	23,330	-	53,373
97,838	11,103	-	108,941
22,293	4,508	-	26,801
4,268	2,952	-	7,220
-	-	197,915	197,915
89	11,915	-	12,004
808,610	22,652	364	831,626
-	97,476	-	97,476
-	29,769	-	29,769
19,583	-	-	19,583
9,317	11,215	-	20,532
$ 2,189,764	$ 273,469	$ 210,520	$ 2,673,753

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Activities

Acadiana Outreach Center, Inc. (the Organization or AOC) was organized under the provisions of R.S. 1950, Title 12, Chapter 2, as amended, of the State of Louisiana on November 5, 1990. The corporation constitutes a not-for-profit corporation, organized exclusively for charitable, educational, and scientific purposes. The Acadiana Outreach Center, Inc. focuses on the needs of the poor and homeless in South Louisiana areas by providing transitional substance abuse recovery homes, women's emergency/transitional shelter, basic needs services, comprehensive case management services and structured rehabilitative programs to fight poverty, homelessness, and mental health and substance abuse conditions.

In April 2009, Urban Ventures, LLC was created to help in the development and administration of charitable programs and the ownership and development of real properties in relation to charitable programs. Urban Ventures, LLC is 100% owned subsidiary of Acadiana Outreach Center.

AOC's mission is to restore the lives of our poverty stricken neighbors by providing critical recovery services – access to housing, meaningful employment and addiction treatment. These services are delivered through faith based programs easily accessible to their clients. The Organization is focused on the delivery of positive client outcomes as they assist in the transition from dependency to self-sufficiency. The Organization's major programs are as follows:

Transitional Recovery Action Center for Katrina/Rita (TRACK) - The TRACK program offers comprehensive case management assistance to displaced individuals and families as a result of the 2005 Hurricanes Katrina and Rita. Services include assessing their needs and implementing a plan to rebuild their lives. The program provides evacuees access to resources to address the needs of housing, employment, transportation, education, physical and mental health care, substance abuse, childcare, life skills training, and community connections. In addition to case management and referrals, TRACK provides financial assistance for critical needs when all available local, state, and federal resources have been exhausted.

By December 2008, TRACK and the Well day shelter were combined into one program. The program is named the Recovery Action Center (RAC).

Recovery Action Center (Basic Needs Services) - Acadiana Outreach Center, Inc. provides the poor and homeless with an outreach and intake center providing basic services such as restroom, shower and laundry facilities, clothing, and necessary telephone and internet access. The clients of the Recovery Action Center also receive case management, housing referrals and assistance, medical referrals, rehabilitative assistance, job placement assistance, transportation, and referrals to mental health and substance abuse counseling. In addition, the Recovery Action Center coordinates referrals for access to mainstream services such as identification, food stamps, Social Security, and Veterans Administration. During times of below freezing temperatures and life threatening weather conditions, the Recovery Action Center stays open overnight for Freeze Plan as a way to provide safety for the homeless from the inclement weather.

1. **Nature of Activities (continued)**

Job Opportunity Training Center (JOTC) - The JOTC program is a dual diagnosis recovery center focusing on the co-existence of mental health and substance abuse conditions. Clients are referred from inpatient treatment centers, family members, and Drug Court programs from across the state. Clients receive vocational assessment and rehabilitative counseling, employment preparedness, job search and placement assistance, and mental health and substance abuse counseling. JOTC collaborates with Louisiana Rehabilitation Services (LRS) and the Louisiana Office for Addictive Disorders Access to Recovery Program (ATR) to provide assistance to clients with disabling conditions that are related to substance abuse.

Naomi House (Women's Transitional Shelter) - The Naomi House is a transitional shelter for fourteen (14) unaccompanied women participating in the JOTC recovery program. Naomi House offers basic shelter services (shelter, meals, bathing, laundry, phone, mail) at the house in addition to undergoing educational, living skills activities and other support services to help the women in their transition to self-sufficiency.

Joshua House (Men's Transitional Shelter) - The Joshua House is a transitional shelter for eight (8) unaccompanied men participating in the JOTC recovery program. Joshua House offers basic shelter services (shelter, meals, bathing, laundry, phone, mail) at the house in addition to undergoing educational, living skills activities and other support services to help the men in their transition to self-sufficiency.

Monroe House (Men's Transitional Shelter) - The Monroe House is a transitional shelter for fourteen (14) unaccompanied men participating in the JOTC recovery program. Monroe House offers basic shelter services (shelter, meals, bathing, laundry, phone, mail) at the house in addition to undergoing educational, living skills activities and other support services to help the men in their transition to self-sufficiency.

Genesis and Journey Houses - The Genesis and Journey Houses transitional shelters are for ten unaccompanied men and women. These homes offer clients who have successfully completed area recovery programs an opportunity to be self-sufficient in an independent living, low rent environment.

Lighthouse Women and Children's Shelter - The Lighthouse is an emergency/transitional shelter for homeless women and their children. The Lighthouse is a twenty-eight (28) bed facility providing case management, housing referrals, job placement assistance, life skills training, parenting classes, tutoring for the children, plus the basic necessities of food, shelter, and clothing. The Lighthouse is a place where women and children can temporarily call home while they transition from homelessness to self-sufficiency with support and guidance from a caring and nurturing staff.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Nature of Activities (continued)**

Tossed & Found - Tossed & Found is a program of the AOC in collaboration with the University of Louisiana at Lafayette School of Agriculture and Design, UL Lafayette Building Institute and the Art Education Program in the Department of Visual Arts. It is the goal of the initiative to open new paths for non-profit agencies to address chronic poverty, homelessness, addiction, mental illness, and the like. Built upon collaboration across different cross-sections of society, Tossed & Found unites in one program solutions to meet critical needs of the poor and homeless to components of community service in the academic curricula of the university, and in the process, the entire community.

The design of the program is simple, yet at the same time unique. Surplus and salvaged building materials (wood, tile, metal, doors/windows, etc.) are donated to the program warehouse workshop from commercial construction sites, home-repairs and building vendors instead of being wasted in landfills. Hurricane debris will also be reclaimed for use in the program to transform symbols of devastation and despair into functional items and works of art that represent renewal and rebirth. University students will work with the community volunteers and JOTC clients using the donated and reclaimed materials to create new functional and artistic items, to market/sell these added-value items to the community, and finally, to beautify the community through public art. Clients will use the skills learned in the programs to secure employment in the construction industry, and revenue from new jobs will be reinvested in AOC programs benefiting the community.

Community Activity Center - This facility serves as a community activity and training center for all Acadiana Outreach Center programs. The facility also houses additional projects that provide free services to the poor and homeless community such as clothing at the Well-mart Closet and food at the Well-mart Pantry. Significant gatherings are held each year in this location where free services are provided to the community at large, such as Christmas for Kids serving over 300 children with Christmas gifts; Thanksgiving Dinner serving over 300 meals, and Christmas Dinner serving over 300 meals complete with Santa and small gifts for children. Other services held in this facility include training workshops, AA and NA meetings, and church services.

Homeless Management Information System (HMIS) ServicePointTM - ServicePointTM is a web-based consumer management information system arming its agencies with powerful management and collaborative solutions. It makes workers more efficient by automating and streamlining paper and manual processes, expedites the delivery of critical services and enables organizations to deliver the best possible care. It enables workers to assess, refer and track clients; coordinate care; plan and manage programs; gather statistics for analysis and reporting identify performance measurements and share data with others in real time. Acadiana Outreach Center, Inc. has served as the lead agency since its implementation in 2000 for the eight parish region of Acadiana providing system administration, maintenance, technical support, and user training for participating agencies and their programs. ServicePointTM has proven to be a valuable tool for participating agencies, allowing for integrated and comprehensive case management regarding the client's care and services across a wide array of service providers.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. **Summary of Significant Accounting Policies**

Principles of consolidation

The consolidated financial statements include Acadiana Outreach Center Inc. and its 100% owned subsidiary Urban Ventures, LLC, which began operations on April 30, 2009. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. In accordance with SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization did not have any temporarily or permanently restricted net assets at June 30, 2009 and June 30, 2008.

Use of estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturities of less than three months.

Property and Equipment

Property and equipment are stated at historical cost. Donated assets are recorded at fair market value. Depreciation of property and equipment is based upon the estimated useful service lives of the assets, which range from 5 - 40 years, using the straight-line method. Maintenance and repairs are charged to expense, while additions and improvements in excess of $2,000 are capitalized.

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

Revenue Recognition and Receivables

The Organization accounts for contributions in accordance with the requirements of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 Statements of Activities as net assets released from restrictions. The Organization does not have any temporarily or permanently restricted net assets.

Accounts receivable consist of amounts due to the Organization in accordance with contract agreements and are for services performed. Accounts are considered past due based on their contractual terms; however, the Organization does not charge interest on past due accounts.

Pledges receivable are recognized as revenue in the period the promise is received. Pledges receivable are recorded at their realizable value given they are expected to be collected within one year.

Grants for fee income are recorded as unrestricted net assets in the Statement of Activities. Grants receivable represents amounts owed to the Organization for costs incurred under federal and state grant contracts which are reimbursable to the Organization.

Management feels that all receivables are collectible, and as such, no allowance for doubtful accounts has been established.

Contributed Services

The Organization recognizes contribution revenue for certain services received at the estimated fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation. During the years ended June 30, 2009 and 2008, the total value of contributed services meeting the requirements for recognition totaled $70,641 and $86,787, respectively. Contributed services represent volunteer hours worked by various social workers and other professionals.

Donated Supplies

The Organization receives various donated supplies to be used within the programs and to be distributed to clients without charge during the fiscal years June 30, 2009 and 2008. These contributions have been recorded at their estimated fair value as revenue with the offset recorded to expenses. The values of donated supplies received during the years ended June 30, 2009 and 2008 were $700,034 and $780,776, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Functional Allocation of Expenses

The costs of providing the various programs and administrative activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated between program and administrative expense based on management's estimate.

Income Taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income taxes is necessary.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN No. 48"), an interpretation of FASB Statement No. 109. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes ("SFAS 109"). FIN No. 48 clarifies the application of SFAS No. 109 by defining a criterion that an individual tax position must meet for any part of the benefit of that position to be recognized in an enterprise's financial statements. Additionally, FIN No. 48 provides guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In December of 2008, the FASB issued FASB Staff Position (FSP) FIN No. 48-3 which permits an entity within its scope to defer the effective date of FIN No. 48 to its annual financial statements for fiscal years beginning after December 15, 2008.

The Organization has elected to defer the application of FIN No. 48 for the year ended June 30, 2009. The Organization evaluates its uncertain tax positions using the provisions of FASB No. 5, Accounting for Contingencies. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. Management is unaware of any uncertain tax positions which would have a material impact to the financial statements.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. **Property and Equipment**

Property and equipment acquired by the Organization is considered to be owned by the Organization. The composition of property and equipment at June 30, 2009 and 2008 was as follows:

	June 30, 2009	June 30, 2008
Land	$ 155,202	$ 66,500
Buildings & Improvements	1,365,689	1,277,487
Vehicles	36,885	41,832
Furniture, Fixtures, & Equipment	310,265	373,256
	$ 1,868,041	$ 1,759,075
Accumulated Depreciation	(751,655)	(714,125)
Net book value	$ 1,116,386	$ 1,044,950

Depreciation expense for the years ended June 30, 2009 and 2008 totaled $96,000 and $97,476 respectively.

4. **Lease Payable**

The Lease Payable at June 30, 2009 and 2008 consists of the following:

	2009	2008
A $148,750 lease payable to Round Table Real Estate, LLC with a monthly payment of $1,163, with interest at 7.0% per annum amortized over 240 months with a balloon payment due August 17, 2012	$ 141,909	$ 145,871

The lease is a lease to purchase agreement for the property located at 114 Olivier Street. Round Table Real Estate Investment Co., LLC financed the acquisition of the leased property by securing a loan from IberiaBank. The IberiaBank loan is secured by a mortgage on the leased property and assignment of Tenant's rent under the lease agreement and tenant's continuing guaranty. The amount of the bank loan is equal to the balance of lease payable as of June 30, 2009 and 2008. Acadiana Outreach Center, Inc. has the option to purchase the leased property at anytime during the term of the agreement.

Aggregate maturities of long-term lease payable are as follows:

Year	Amount
2010	$ 4,159
2011	4,460
2012	4,782
2013	128,508
	$ 141,909

Interest expense for the fiscal year 2009 and 2008 totaled $10,077 and $12,004, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Related Party Transaction

The lease described in Note 4 with Round Table Real Estate Investment Co., LLC is considered a related party transaction. Round Table Real Estate Co., LLC is a single member LLC owned by a board member. Total lease payments paid in 2009 and 2008 totaled $13,956 and $11,625, respectively. A lease to purchase agreement was executed after being brought to the board for consideration and the board determined there was no benefit to the member. Subsequent to year-end the board members term has ended.

6. Concentration of Credit Risk

The Organization maintains several accounts at a local financial institution. The balances, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. Management believes the credit risk associated with these deposits is minimal.

7. Restatement of Prior Year Net Assets

Prepaid expenses were corrected in the two prior fiscal years ending June 30, 2007 and 2008 for a software maintenance contract with a third party vendor in the amount of $9,437 and $48,809, respectively. A correction has been made for additional prepaid expenses resulting in a reduction to the Homeless Management Information Systems (HMIS) expense for the period ended June 30, 2008.

In addition, in previous fiscal years grant revenues which represent cost reimbursements of program related expenses of the Organization were considered temporarily restricted contributions. Grant revenues are designated for specific purposes under the terms of the grant award. However, these types of contracts do not meet the definition of a contribution and therefore should have been reported as unrestricted revenues of the Organization. As such, amounts previously reported as temporarily restricted net assets were reclassified to unrestricted net assets.

Below is a summary of the restatements of prior year net assets:

	Unrestricted	Temporarily Restricted	Total
Net assets, as previously reported at June 30, 2007	$ 1,372,986	$ 361,738	$ 1,734,724
Prepaid expense adjustment	9,437	-	9,437
Net assets, as restated at June 30, 2007	1,382,423	361,738	1,744,161
Net increase (decrease) in net assets, as previously reported for the year ended June 30, 2008	181,280	(155,638)	25,642
Grant revenues reclassified	206,100	(206,100)	-
Prepaid expense adjustments	39,372	-	39,372
Net increase (decrease) in net assets, as restated for the year ended June 30, 2008	426,752	(361,738)	65,014
Net assets, as restated at June 30, 2008	$ 1,809,175	$ -	$ 1,809,175

7. **Restatement of Prior Year Net Assets (continued)**

In addition to the above, certain amounts from June 30, 2008 have been reclassified in order to conform to the 2009 presentation.

8. **Subsequent Events**

Management has evaluated subsequent events through the date the financial statements were available to be issued, December 29, 2009, and determined that the following events have occurred that require disclosure:

Effective September 16, 2009, Acadiana Outreach Center entered into a one year operating lease agreement. The Organization leased a 30,000 square foot facility on 6 acres of land to provide behavioral health services including substance abuse and mental health treatment to a maximum capacity of 90 patients when at full capacity. This lease contains options to renew for two additional five year lease terms. The lease requires a minimum monthly rental payment of $6,500 or an amount equal to the percentage of occupancy for that month of residents compared to 128 beds times $20,000.

The Board of Directors determined the need for operating line of credit of $200,000 in order to meet obligations for federal and state reimbursement grants and contracts. In addition, the Board established a line of credit for $250,000 for the new treatment center in Abbeville, LA corresponding with a reimbursement based start up contract for the facility with the LA Department of Health and Hospitals which is in the final stages of approval. On October 23, 2009, the Center entered into two credit line agreements with a financial institution in the amounts of $200,000 and $250,000. Each agreement requires interest to be paid on any outstanding advances based on a variable rate of interest equal to the prime rate of interest as published in the money rate section of the Wall Street Journal.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Acadiana Outreach Center, Inc.
Lafayette, Louisiana

We have audited the financial statements of Acadiana Outreach Center, Inc. (the Organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 29, 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 the Organization's internal control over financial reporting in order to determine 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 the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 the Organization'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 misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiencies described in the accompanying summary of current year findings and responses (items 2009-1, 2009-2 and 2009-3) to be significant deficiencies in the internal control over financial reporting.

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 the Organization's internal control.

Our consideration of 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. However, of the significant deficiencies described above, we consider items 2009-1, 2009-2, and 2009-3 to be material weaknesses.

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Compliance and other matters

As part of obtaining reasonable assurance about whether the Organization'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.*

We noted certain matters that we reported to management of the Acadiana Outreach Center, Inc., in a separate letter dated December 29, 2009.

The Organization's responses to the significant deficiencies identified in our audit are described in the accompanying summary of current year findings and responses. We did not audit the Organization's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of directors, management of Acadiana Outreach Center, Inc. and the Legislative Auditor of the State of Louisiana 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.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 29, 2009

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SUMMARY OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expressed an unqualified opinion on the financial statements of the Acadiana Outreach Center, Inc.

2. Material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No material instances of noncompliance material to the financial statements of the Acadiana Outreach Center were disclosed during the audit.

4. A management letter was issued regarding the current year's audit.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2009 - 1 Financial Statement Preparation

Criteria: The definition of internal control over financial reporting is that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Organization, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Condition: As part of the audit process, we assisted management in adjusting the trial balance, drafting the financial statements and drafting the related notes for the year-end audit. Because our involvement is so key to that process that is an indication that the internal control over financial reporting of the Organization meets the definition of a material weakness.

Effect: A material weakness exists with respect to the preparation of financial statements in accordance with GAAP.

Recommendation: Management should consider the cost-benefit of hiring an outside consultant to compile financial reports on a quarterly basis.

2009 - 1 Financial Statement Preparation (continued)

View of Responsible Official and Planned Corrective Action:

Management believes the timing of staff turnover just prior to the beginning of the audit process contributed significantly to the need for audit personnel to assist new staff in compiling reports. Once the 90-day training period for the new staff is complete, Management will evaluate the cost-benefit of hiring an outside consultant to compile financial reports on a quarterly basis in addition to evaluating the possibility of utilizing in-house accounting personnel up to and including expanding the accounting dept to reflect a general accountant (i.e., accounts payable, payroll) vs. financial accountant (i.e., general ledger, bank reconciliation).

2009 - 2 Internal Control Deficiencies

Criteria: Properly designed and effective internal controls requires proper segregation of duties and appropriate oversight by management and those charged with governance of significant accounts and classes of transactions.

Condition(s): During our audit procedures we noted the following areas where enhancements could be made to either the design of the control or the frequency of oversight by management and those charged with governance:

- In some instances there is a lack of segregation of duties by those personnel that are preparing, processing and recording cash disbursements.
- The spread sheet sent to the CEO to approve cash disbursements is not being compared to what is actually being paid after the checks have been processed.
- A signature stamp of the CEO exists and currently no processes are in place to identify who has the signature stamp or what it was used for or how often. We were informed it was not used by the accounting department during the audit period.
- In some instances, there is a lack of documentation on approval of salaries in personnel files and timesheets did not have the supervisor's approval.
- Approval for travel and entertainment expenses of the CEO was not documented.

SUMMARY OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2009

2009 – 2 Internal Control Deficiencies (continued)

Effect: Deficiencies which exist in internal controls provide opportunities for errors to occur in financial reporting and the possibility for misappropriation of assets of the Organization.

Recommendation: The following recommendations should be considered with respect to the conditions:

- Someone other than the person processing the cash disbursements should reconcile the bank statements or at a minimum review the reconciliations and scan the cash disbursements.
- The spread sheet that was used to approve the accounts payable should be compared to the accounts payable batch generated by the system for accuracy and completeness.
- The signature stamp should be destroyed.
- Enhanced documentation on approved salaries, timesheets, and retention of timesheets should be made for all payroll transactions.
- Documentation of the approval by either the board chair or the treasurer for all CEO travel and entertainment should be maintained.

View of Responsible Official and Planned Corrective Action:

Accounts payables and cash disbursements are all functions of general accounting and will be processed by the accounting dept and reviewed and tied to the general ledger on a weekly basis by the CEO as follows:

a. Applicable department managers or CEO will approve accounts payables invoices prior to submission to accounting and batches will be reviewed by the CEO on at least a weekly basis prior to authorizing approval of payments.

b. Once the cash disbursement form is received with the staff and supervisor approvals, it will then be processed by the Financial Manager and reviewed by the CEO before signing the checks and processing the payment.

SUMMARY OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2009

2009 – 2 Internal Control Deficiencies (continued)

View of Responsible Official and Planned Corrective Action: (continued)

c. *The CEO will receive the bank statements unopened. Bank reconciliations will be prepared by accounting and reviewed by the CEO or a member of the Board of Directors on a monthly basis.*

The signature stamp was kept on-site for Community Relations' use executing donor letters in the CEO's absence. However, it has been deemed an unnecessary risk and subsequently destroyed.

During the audit period Management allowed for the use of email approval of offer letters and timesheets by the CEO and supervisors as an accepted practice. An in-house audit of documentation and retention of approved salaries letters and timesheets is being conducted and email authorizations placed in the appropriate files by January 31, 2010. Going forward, salary offer/acceptance letters will be maintained in the employee personnel file and employee timesheets will be reviewed for applicable signatures and maintained with the payroll register.

Per the employment contract for the CEO position, Travel and Entertainment expenses as well as all cash disbursements for the CEO will be approved by the Chairman of the Board or another member of the Executive Committee monthly. This policy refinement is included in planned revisions to the organizational By-Laws, which will be presented to the Board for adoption at the February 2010 regular meeting and will replace the current Section 6.6 of the By-Laws stating, "The expense reports of the Executive Director must be approved by two members of the Board of Directors to be rotated annually."

2009 – 3 Presentation and Disclosure in the Financial Statements

Criteria: Amounts recorded in the financial statements should have appropriate supporting documentation and should follow generally accepted accounting principles including appropriate presentation and disclosure.

Condition(s): During our audit procedures we noted the following items that were not recorded in accordance with generally accepted accounting principles or were not presented appropriately:

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SUMMARY OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2009

2009 – 3 Presentation and Disclosure in the Financial Statements (continued)

- The values used in assigning fair values to donated items were based substantially on judgment instead of using published sources of values of items donated, such as values suggested by Goodwill, the Salvation Army or other well recognized national organizations.

- When reimbursement grants are received by the organization a receivable for the full amount of the grant is recorded with an offset to deferred revenue. Generally accepted accounting principles does not allow the recognition of deferred revenue for reimbursement type grants.

Effect: Deficiencies exist in financial reporting which could lead to errors and incorrect presentation of amounts in the financial statements.

Recommendation: Readily available sources to determine value fair should be used to value all donated items. Accounts receivable should only be recorded for unpaid/submitted reimbursement requests. The use of deferred revenue accounts should be discontinued unless an advance on a grant has been received.

View of Responsible Official and Planned Corrective Action:

Operating procedures for In-Kind valuations were based on the recommendations of the organization's prior audit firm. Based on the current auditors' recommendation, a predetermined guide of fair value on donated items currently used by the Salvation Army has been posted and is in use by the In-Kind Donations Coordinator.

Recording procedures regarding restricted grants were based on the recommendations of the organization's prior audit firm. Based on the current auditors' recommendations, the organization no longer recognizes deferred revenue for reimbursement type grants and has made adjustments to the financial statements. When reimbursement requests are submitted for grants or contracts an entry will be recorded to grant or contract receivables with the offset to grant or contract revenue to recognize current revenue. When funds are received from the grants, an entry will be recorded to the Cash account with an offset to grant or contract receivables.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

A. FINDINGS – FINANCIAL STATEMENT AUDIT:

None

B. MANAGEMENT LETTER COMMENTS PRIOR YEAR:

1. Condition: JOTC client funds information is not formally reconciled to the general ledger system, and client information is kept by program and not individual files.

   Recommendation: Acadiana Outreach Center, Inc. should formalize procedures for JOTC program activity related to client funds. JOTC participants should have individual folders containing their signed contracts, receipts for each deposit, request for funds, rent deposit information, etc. A ledger card should be kept that contains deposit and withdrawal information along with a current balance. Funds collected and disbursed should be recorded on the individual ledger cards, the control ledger card and the JOTC computer program. A receipts journal and disbursements journal should be printed and forwarded to the fiscal manager for posting to the general ledger. A reconciliation needs to be done each month to ensure total individual client balances, funds held for later distribution, rent deposits, and forfeited funds agree with the general ledger.

   Management's Response: Management has implemented the necessary accounting procedures as recommended for the JOTC client funds.

   Current Status: Partially Resolved. Due to a significant amount of personnel turnover during the fiscal year the monthly reconciliation of client balances, funds held for later distribution, and rental deposits and forfeited funds with the general ledger were not performed. However, *it is the intention of* management to ensure the reconciliation is being performed monthly and all reconciliations not performed to be completed by January 31, 2010.

2. Condition: A signature stamp is used when the Chief Executive Officer is not available to sign checks. The stamp is kept in the Chief Operations Officer's Office. The office is locked, but other employees have keys to the office.

   Recommendation: If management deems the signature stamp necessary, it should be kept in a lock box with access limited to the one person with authorization. The Board should consider authorizing a member of management to be added to the signature card and eliminate the signature stamp.

   Management's Response: Management has placed the stamp in a lock box in the desk of the Chief Operations Officer whose office is locked when vacant. The authorization of another signatory on accounts will be analyzed for compliance with organizational by-laws.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SUMMARY OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009

B. MANAGEMENT LETTER COMMENTS PRIOR YEAR (continued):

Current Status: Partially Resolved. See Finding 2009-2. Management implemented the recommendations of the prior year auditors. Even though current controls on this are not deemed to be enough so there is a weakness with the existence of the stamp the following was implemented during the audit period in response to specific recommendations for the prior year auditors:

- **Additional members of management and members of the Board of Directors were added to the signature cards.**
- **The use of the stamp for purposes other than Community Relations was discontinued during the audit period.**

3. Condition: In testing the unmet needs disbursements to ensure policies and procedures are properly followed, there were 8 unmet needs folders that were unable to be located. The amounts of the transactions were immaterial.

Recommendation: Files that are removed should be accounted for and tracked as to who pulled the file and for what reason.

Management's Response: Management has implemented a ledger system for tracking the location of all unmet needs files and has trained all appropriate staff on this control measure.

Current Status: Resolved. Management has implemented a procedure to track files and informed all appropriate staff of the new procedures.

ACADIANA OUTREACH CENTER, INC.

REPORT TO MANAGEMENT

JUNE 30, 2009

P&N

P&N Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

December 29, 2009

Board of Directors
Acadiana Outreach Center, Inc.
Lafayette, Louisiana

In planning and performing our audit of the consolidated financial statements of the Acadiana Outreach Center, Inc. (AOC) for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered AOC'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 AOC's internal control.

However, during the course of our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are set forth below. We previously reported on AOC's internal control in our report dated December 29, 2009. This letter does not affect our report dated December 29, 2009, on the consolidated financial statements of the Acadiana Outreach Center, Inc.

2009-1) Rental Assistance Theft Allegation

Condition: While AOC was performing a routine internal audit of rental assistance transactions for one its programs, it was discovered that an employee had submitted fraudulent requests for rental assistance payments based on previously eligible clients and forged AOC personnel approvals. The requested payments appear to have been made to landlords that are relatives and/or friends of this employee. The employee has been terminated and turned themselves over to authorities on August 25, 2009. It is estimated that a total of $33,280 was paid by AOC for ineligible transactions.

Recommendation: Management should continue to cooperate with authorities.

Management's Response: *AOC has already been reimbursed by its insurance company. We are cooperating fully with authorities and have requested a conviction in lieu of a plea bargain.*

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience, to perform an additional study of these matters, or to assist you in implementing the recommendations.

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We appreciate the cooperation received from AOC's personnel during the audit process. This report is intended solely for the information and use of the Board of Directors, management, and the Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Postlethwaite & Netterville