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**ODYSSEY HOUSE LOUISIANA, INC.
FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

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 3/2/11

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Silva Gurtner & Abney

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Odyssey House Louisiana, Inc. (a nonprofit organization) (the Organization) as of June 30, 2010 and the related statements of activities, functional expenses, and cash flows for the year then ended. These 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 the Organization as of June 30, 2009 were audited by other auditors whose report, dated October 12, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit 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 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 Odyssey House Louisiana, Inc. as of June 30, 2010, and the results of its operations and its 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 a report dated December 14, 2010 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 grants 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 the 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.

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Our audit was 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit 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.

Silva Gurtner & Alney, LLC

December 14, 2010

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	ASSETS	
	<u>2010</u>	<u>2009</u>
Current assets		
Cash	\$ 12,169	\$ 70,001
Restricted cash	137,455	557,931
Investments	9,436	8,384
Receivables:		
Grants receivable	1,323,021	1,755,093
Other receivables	5,316	5,339
Unconditional promise to give	49,089	54,544
Inventory	2,000	2,000
Prepaid expenses and deposits	40,916	131,443
Total current assets	<u>1,579,402</u>	<u>2,584,735</u>
Property, buildings and equipment - net	<u>5,424,870</u>	<u>4,796,594</u>
Total assets	<u>\$ 7,004,272</u>	<u>\$ 7,381,329</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued liabilities	\$ 747,159	\$ 958,772
Program advances	137,167	623,322
Loans payable	-	344,748
Lines of credit	3,033,499	2,202,975
Total current liabilities	<u>3,917,825</u>	<u>4,129,817</u>
Net assets		
Unrestricted	3,031,255	3,188,584
Temporarily restricted	49,090	56,826
Permanently restricted	6,102	6,102
Total net assets	<u>3,086,447</u>	<u>3,251,512</u>
Total liabilities and net assets	<u>\$ 7,004,272</u>	<u>\$ 7,381,329</u>

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

**ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support				
United Way grant revenue	\$ 16,722	\$ 49,090	\$ -	\$ 65,812
Contributions	59,096	-	-	59,096
Government grants	-	7,427,268	-	7,427,268
Investment return	1,182	-	-	1,182
Other	371,842	-	-	371,842
Net assets released from restrictions	7,484,094	(7,484,094)	-	-
Total revenues and other support	7,932,936	(7,736)	-	7,925,200
Expenses				
Program services				
Residential/detox services	4,244,007	-	-	4,244,007
Outpatient/medical services	1,251,052	-	-	1,251,052
Sober living/housing services	1,127,092	-	-	1,127,092
Case management services	540,704	-	-	540,704
Other	91,859	-	-	91,859
Supporting activities				
Management and general	783,872	-	-	783,872
Fundraising	51,679	-	-	51,679
Total expenses	8,090,265	-	-	8,090,265
Decrease in net assets	(157,329)	(7,736)	-	(165,065)
Net assets, beginning of year	3,188,584	56,826	6,102	3,251,512
Net assets, end of year	<u>\$ 3,031,255</u>	<u>\$ 49,090</u>	<u>\$ 6,102</u>	<u>\$ 3,086,447</u>

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support				
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	(1,193)	-	-	(1,193)
Other	322,559	-	-	322,559
Net assets released from restrictions	8,730,202	(8,730,202)	-	-
Total revenues and other support	9,238,152	(23,227)	-	9,214,925
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	8,248,470	-	-	8,248,470
Increase (decrease) in net assets	989,682	(23,227)	-	966,455
Net assets, beginning of year	2,198,902	80,053	6,102	2,285,057
Net assets, end of year	\$ 3,188,584	\$ 56,826	\$ 6,102	\$ 3,251,512

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

**ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010**

	Program Services					Supporting Activities			Total
	Residential/ Detox	Outpatient/ Medical	Sober Living/ Housing	Case Management	Other	Management and General	Fundraising		
Compensation expenses	\$ 2,435,298	\$ 820,838	\$ 262,783	\$ 348,355	\$ 48,300	\$ 542,132	\$ 48,479	\$ 4,506,185	
Occupancy	213,119	48,093	43,491	61,021	-	52,868	-	418,592	
Specific assistance	23,478	-	728,670	2,292	-	-	-	754,440	
Other direct program/support expenses	1,418,095	378,673	56,686	129,036	43,559	135,257	3,200	2,164,506	
Total expenses before depreciation	4,089,990	1,247,604	1,091,630	540,704	91,859	730,257	51,679	7,843,723	
Depreciation	154,017	3,448	35,462	-	-	53,615	-	246,542	
Total expenses	\$ 4,244,007	\$ 1,251,052	\$ 1,127,092	\$ 540,704	\$ 91,859	\$ 783,872	\$ 51,679	\$ 8,090,265	

(continued)

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

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	1,011,757	416,667	127,249	211,100	69,827	133,091	26,625	1,996,316	
Total expenses before depreciation	2,634,170	1,241,021	1,363,704	1,869,259	244,233	680,441	72,678	8,105,506	
Depreciation	94,960	5,409	4,572	34,067	259	3,697	-	142,964	
Total expenses	\$ 2,729,130	\$ 1,246,430	\$ 1,368,276	\$ 1,903,326	\$ 244,492	\$ 684,138	\$ 72,678	\$ 8,248,470	

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

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Changes in net assets	\$ (165,065)	\$ 966,455
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	246,542	142,964
Unrealized depreciation (appreciation) of investments	(1,052)	1,406
Changes in operating assets:		
Grants receivable	432,072	(537,465)
Other receivables	23	20,079
Unconditional promise to give	5,455	21,821
Prepaid expenses and deposits	90,527	(43,500)
Changes in operating liabilities:		
Accounts payable and accrued liabilities	(211,613)	335,021
Program advances	(486,155)	69,644
Net cash provided by (used in) operating activities	<u>(89,266)</u>	<u>976,425</u>
Cash flows from investing activities		
Purchases of property, buildings and equipment	<u>(874,818)</u>	<u>(2,527,084)</u>
Net cash used in investing activities	<u>(874,818)</u>	<u>(2,527,084)</u>
Cash flows from financing activities		
Net change in line of credit	830,524	1,238,000
Proceeds from loans payable	-	375,000
Payments under loans payable	<u>(344,748)</u>	<u>(30,252)</u>
Net cash provided by financing activities	<u>485,776</u>	<u>1,582,748</u>
Net increase (decrease) in cash	(478,308)	32,089
Cash, beginning of year	<u>627,932</u>	<u>595,843</u>
Cash, end of year	<u>\$ 149,624</u>	<u>\$ 627,932</u>
Reconciliation to the Statements of Financial Position:		
Cash	\$ 12,169	\$ 70,001
Restricted cash	<u>137,455</u>	<u>557,931</u>
Total cash	<u>\$ 149,624</u>	<u>\$ 627,932</u>
Supplemental cash flow information		
Cash paid during the year for:		
Interest	<u>\$ 138,773</u>	<u>\$ 80,116</u>

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

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

Basis of Presentation

The Organization's financial statements are prepared on the accrual basis of accounting. 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 depending on the existence and/or nature of any donor restrictions.

Permanently Restricted Net Assets

These are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization 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 Organization and/or the passage of time.

Unrestricted Net Assets

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

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted and Unrestricted Revenues and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets, if the restrictions expire in the reporting period in which the support is recognized. All other 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 statement of activities as net assets released from restrictions. Grant revenue is recognized as it is earned in accordance with approved contracts.

Investments

The Organization carries investments in marketable securities with readily determinable fair values (all Level 1 measurements) in the statements of financial position.

Receivables

Receivables consisted of amounts owed from various Federal, State, and Local government agencies for grants and fees for service programs. Management considers that all receivables are collectible. If amounts due become uncollectible, they are charged to operations when the determination is made. There was no bad debt expense for the year ended June 30, 2010. Bad debt expense for the year ended June 30, 2009 was \$48,640.

Inventory

Inventory consisted of food purchased in collection with the long-term care provided to clients and is accounted for at cost on the first-in first-out (FIFO) basis.

Property, Buildings and Equipment

Property, buildings and equipment are recorded at cost. Donations of assets are recorded at estimated fair market value on the date of donation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line basis over three to thirty years.

It is the policy of the Organization 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. Costs incurred for repairs and maintenance are expensed as incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all restricted highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Restricted cash is limited in use to receipts and payments associated with federal and state grants.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statements of functional expenses. Some functional expenses have been allocated among program services and supporting activities based on estimates by management.

In-Kind Contributions

A variety of noncash items, such as furniture and items to assist with fundraising, were donated to the Organization 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 in-kind contributions reported in the statements of activities for the years ended June 30, 2010 and 2009 was estimated to be \$26,088 and \$31,337, respectively. For the year ended June 30, 2010, \$1,000 of in-kind contributions was capitalized and is reported in the statement of financial position as property, buildings and equipment. The remaining amount for 2010 and the entire amount for 2009 was offset by expenses reported in the statements of activities upon utilization of the items by the Organization.

Income Taxes

The Organization is a not-for-profit corporation that is exempt from both federal and Louisiana income taxes under Section 501(c)(3) of the Internal Revenue Code and R.S. 12:201 of Louisiana statutes. Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustments to or disclosures in the financial statements.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

NOTE B – CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in local financial institutions that may at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and the Securities Investor Protection Corporation (SIPC) up to \$500,000. The Organization's cash balances were not in excess of the FDIC or SIPC insurance at June 30, 2010 and 2009. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

**ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE C – INVESTMENTS

Investments at June 30, 2010 consisted of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Mutual Fund	\$ 7,025	\$ 9,436	\$ 3,334	\$ 6,102

Investments at June 30, 2009 consisted of the following:

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

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.

Unrealized appreciation (depreciation) for the years ended June 30, 2010 and 2009 was \$1,052 and (\$1,406), respectively, and the cumulative unrealized appreciation as of June 30, 2010 and 2009 was \$2,411 and \$1,359, respectively.

Investment return as of June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Interest	\$ 130	\$ 213
Net realized and unrealized gain/(loss)	<u>1,052</u>	<u>(1,406)</u>
	<u>\$ 1,182</u>	<u>\$(1,193)</u>

NOTE D – GRANTS RECEIVABLE

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

	<u>2010</u>	<u>2009</u>
State of Louisiana:		
Department of Health and Hospitals	\$ 755,681	\$ 1,029,853
Department of Public Safety and Corrections	8,333	8,333
U.S. Department of Health and Human Services	14,654	27,323
U.S. Department of Housing and Urban Development	205,331	339,008
U.S. Department of Labor	608	58,662
U.S. Probations Office	67,858	35,170
Unity for the Homeless, Inc.	221,691	256,744
Other miscellaneous grants receivable	48,865	-
	<u>\$ 1,323,021</u>	<u>\$ 1,755,093</u>

**ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE E – UNCONDITIONAL PROMISE TO GIVE

The unconditional promise to give represents the United Way allocation for the program years July 1, 2010 to June 30, 2011 and July 1, 2009 to June 30, 2010, respectively. The United Way allocation totaled \$49,089 and \$54,544 for the years ended June 30, 2010 and 2009, respectively. These amounts are temporarily restricted until the Organization satisfies the time restrictions.

NOTE F – PROPERTY, BUILDINGS AND EQUIPMENT

Property, buildings and equipment consisted of the following at June 30:

	2010	2009
Buildings and improvements	\$ 3,477,835	\$ 2,117,633
Furniture and fixtures	661,523	470,982
	4,139,358	2,588,615
Less accumulated depreciation	(728,873)	(482,331)
Total assets being depreciated	3,410,485	2,106,284
Land	567,927	663,726
Construction in Progress	1,096,616	1,310,172
Buildings not in service	349,842	716,412
	\$ 5,424,870	\$ 4,796,594

Depreciation expense for the years ended June 30, 2010 and 2009 was \$246,542 and \$142,964, respectively.

In 2006, the Organization purchased three buildings with federal funds received under the Housing Opportunities for Persons with Aids (HOPWA) grant. Two of the buildings had not been placed in service as of June 30, 2009, since HOPWA grant funding was suspended in a prior year. The suspension resulted 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 were placed in service during the year ended June 30, 2010.

NOTE G – BOARD OF DIRECTORS COMPENSATION

The board of directors is a voluntary board and, therefore, no compensation was paid to any board member during the years ended June 30, 2010 and 2009.

NOTE H – 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, 2010 AND 2009

NOTE I – 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 Organization receives could be reduced significantly and have an adverse impact on its operations.

The Organization's support through grants totaled 94% and 91% of revenues for the years ended June 30, 2010 and 2009, respectively.

NOTE J – RETIREMENT PLAN

The Organization has a 401(k) Profit Sharing Plan that provides for discretionary matching contributions determined by the employer covering all full-time employees at least twenty-one years of age with one year of eligible experience. The Organization makes 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 years ended June 30, 2010 and 2009 were \$33,480 and \$40,346, respectively.

NOTE K – LOAN PAYABLE

The Organization 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 Organization's operations. The acquired property was held as collateral for the promissory note. The outstanding balance on the note at June 30, 2009 was \$344,748. During the year ended June 30, 2010, the note was paid in full.

NOTE L – LINES OF CREDIT

During the year ended June 30, 2009, the Organization established a commercial line of credit with JP Morgan Chase Bank for a maximum borrowing amount of \$2,000,000. The note matured on September 30, 2010 and was extended to December 31, 2010. Interest on the note accrues at 3.000 percentage points over LIBOR (3.35406% as of June 30, 2010). As of June 30, 2010 and 2009, the principal balance of the line of credit was \$1,835,000 and \$1,900,000, respectively.

On April 30, 2010, the Organization renewed a line of credit with JP Morgan Chase Bank with a maximum borrowing of \$302,975. The note matured on September 30, 2010 and was extended to December 31, 2010. Interest on the note is accrues at 5.239 percentage points over LIBOR (5.59306% as of June 30, 2010). As of June 30, 2010 and 2009, the principal balance outstanding on the line of credit was \$101,725 and \$302,975, respectively.

The lines of credit with JP Morgan Chase Bank above are collateralized by a mortgage encumbering property located in New Orleans, Louisiana and the Organization's accounts receivable.

On July 24, 2009, the Organization established a line of credit with JP Morgan Chase Bank for a maximum borrowing of \$1,100,000. The note matured on July 24, 2010 and was renewed for a maximum borrowing of \$1,099,674 and a new maturity date of January 26, 2011. Interest on the note accrues at 6.712 percentage points over LIBOR (7.05331% as of June 30, 2010). The note is collateralized by three properties owned by the Organization. As of June 30, 2010, the principal balance of the line of credit was \$1,096,774.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE M – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 14, 2010, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

OTHER INDEPENDENT AUDITORS' REPORTS



Brent A. Silva, CPA
Craig A. Silva, CPA*
Thomas A. Gurtner, CPA*
Kenneth J. Abney, CPA, MS Tax*

*Limited Liability Companies

**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**

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

We have audited the financial statements of Odyssey House Louisiana, Inc. (the Organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards for 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 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 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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.

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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*.

This report is intended for the information of the audit committee, management, the Board of Directors, the Louisiana Legislative Auditor, federal awarding agencies and pass-through entities. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

December 14, 2010



Silva Gurtner & Abney

Certified Public Accountants & Consultants

Brent A. Silva, CPA
Craig A. Silva, CPA*
Thomas A. Gurtner, CPA*
Kenneth J. Abney, CPA, MS Tax*

*Limited Liability Companies

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

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

Compliance

We have audited the compliance of the Odyssey House Louisiana, Inc. (the Organization) 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, 2010. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization'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 for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit 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 the 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 the Odyssey House Louisiana, Inc.'s compliance with those requirements.

In our opinion, the 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, 2010.

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Internal Control over Compliance

The management of the Organization 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 the Organization's internal control over compliance with 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 the Organization's internal control over compliance.

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

Our consideration of 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 for the information of the audit committee, management, the Board of Directors, the Louisiana Legislative Auditor, federal awarding agencies and pass-through entities. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

December 14, 2010

SUPPLEMENTARY INFORMATION

**ODYSSEY HOUSE LOUISIANA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Funds passed through the City of New Orleans			
Ryan White Title I	93.118	K08-615	\$ 56,313
Funds passed through the State of Louisiana			
Department of Health and Hospitals			
MHSD LAPPW	93.243	675153	244,843
SAMHSA	93.243	-	159,235
SAMHSA - Home First New Orleans	93.243	1H79T1019798-01	21,324
Temporary Assistance to Needy Families	93.558	674709	277,090
LA Public Health Institute - Primary Care Access and Stabilization Grant	93.779	155580164	696,752
MHSD Residential	93.959	673662	116,442
MHSD Intensive Outpatient Program	93.959	675152	33,578
Total U.S. Department of Health and Human Services			1,605,577
U.S. Department of Housing and Urban Development			
Funds passed through Unity of Greater New Orleans, Inc.:			
Unity - Permanent Supportive Housing	14.157	LA 48B 60 3001	115,965
Unity - Permanent Supportive Housing	14.157	LA0073B6H030801	440,287
Unity - Supportive Housing	14.235	LA0081B6BH30801	252,045
Unity - Homelessness Prevention and Rapid Re-Housing Programs	14.237	HPRP-009(09)	85,947
Unity - Shelter Plus Care	14.238	LA0081B6BH30801	88,604
Funds passed through the City of New Orleans:			
Housing Opportunity for People with Aids	14.241	LAH05004	225,324
Total U.S. Department of Housing and Urban Development			1,208,172
U.S. Department of Justice			
Funds passed through the State of Louisiana:			
LA Department of Corrections	16.593	C-01-022	93,392
U.S. Probation Grant	16.593	07-DP-002B	138,486
Total U.S. Department of Justice			231,878
U.S. Department of Labor			
Reintegration of Ex-Offenders - Non-Youth	17.270	PE-15250-06-60	534,517
Funds passed through Unity of Greater New Orleans, Inc.:			
Unity - Transitional Assistance Program	17.807	LA48B-30-3001	110,916
Total U.S. Department of Labor			645,433
Total Federal Awards			\$ 3,691,060

See independent auditors' report.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of 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, 2010**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
Material weaknesses identified?	_____ yes	_____ <u>X</u> no	
Significant deficiencies identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported	
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no	

Federal Awards

Internal control over major programs:			
Material weaknesses identified?	_____ yes	_____ <u>X</u> no	
Significant deficiencies identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported	

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	_____ yes	_____ <u>X</u> no
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Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

17.270	Reintegration of Ex-Offenders - Non-Youth
93.779	LAPHI - Primary Care Access and Stabilization Grant

Dollar threshold used to distinguish between Type A and Type B programs:	_____ <u>\$300,000</u>
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Auditee qualified as low-risk audit?	_____ <u>X</u> yes	_____ no
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Section II - Findings related to the financial statements that are required to be reported in accordance with *Governmental Auditing Standards*

No findings for the year ended June 30, 2010

Section III - Findings and questioned costs for federal awards under OMB Circular A-133 §510 (a)

No findings for the year ended June 30, 2010