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ODYSSEY HOUSE LOUISIANA, INC.

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORT**

JUNE 30, 2004

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 12-22-04

ODYSSEY HOUSE LOUISIANA, INC.

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Justin J. Scanlan, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Odyssey House Louisiana, Inc.

I have audited the accompanying statement of financial position of Odyssey House Louisiana, Inc. (a non-profit corporation), as of June 30, 2004, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from the Corporation's 2003 financial statements and, in my report dated September 30, 2003, I expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my 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, 2004, and the changes in its net assets 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, I have also issued my report dated October 14, 2004, on my consideration of Odyssey House Louisiana, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This 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 my audit.

My 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 supplemental information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and 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 my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Justin J. Scanlan, CPA

New Orleans, Louisiana
October 14, 2004

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

	ASSETS	MEMORANDUM ONLY
		<u>JUNE 30, 2003</u>
Cash	\$ 585,204	\$ 271,067
Investments (Notes A4 and B)	7,329	6,379
Receivables		
Grants (Notes A5 and C)	250,196	410,903
Other	9,215	539
Unconditional promise to give (Note D)	77,047	85,542
Inventory (Note A6)	2,000	2,000
Prepaid expenses and deposits	12,803	8,426
Property, buildings and equipment – at cost (Notes A7, A8 and E)	<u>246,850</u>	<u>242,217</u>
Total assets	<u>\$ 1,190,644</u>	<u>\$ 1,027,073</u>

LIABILITIES AND NET ASSETS

Capital lease obligations (Notes A8 and F)	\$ 2,108	5,208
Accounts payable and accrued liabilities	<u>64,350</u>	<u>39,209</u>
Total liabilities	<u>66,458</u>	<u>44,417</u>
Commitment (Note H)	-	-
Net assets		
Unrestricted	1,039,830	890,735
Temporarily restricted	78,254	85,844
Permanently restricted	<u>6,102</u>	<u>6,077</u>
Total net assets	<u>1,124,186</u>	<u>982,656</u>
Total liabilities and net assets	<u>\$ 1,190,644</u>	<u>\$ 1,027,073</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, 2004

	<u>TOTAL</u>		
	<u>MEMORANDUM ONLY</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>For the year ended June 30, 2003</u>
		<u>Restricted</u>	<u>2004</u>
REVENUE			
United Way allocation	\$ -	\$ 77,047	\$ 85,542
United Way designations	15,932	-	12,005
Contributions	77,080	-	113,909
Fund raising, net of direct expenses of \$30,684	5,791	-	4,957
Government grants	-	2,317,854	2,062,183
Investment income	3,820	960	1,786
Other	120,606	-	154,260
Net assets released from restrictions	<u>2,403,451</u>	<u><2,403,451></u>	<u>-</u>
Total revenues	<u>2,626,680</u>	<u><7,590></u>	<u>2,619,115</u>
EXPENSES			
Program services			
Adult substance abuse services	1,204,864	-	912,053
High risk pregnancy	342,956	-	302,738
Employment training	451,402	-	399,704
Renaissance – adolescents	192,204	-	226,117
Supporting services			
Management and general	250,370	-	259,147
Fund raising	<u>35,789</u>	<u>-</u>	<u>44,374</u>
Total expenses	<u>2,477,585</u>	<u>-</u>	<u>2,144,133</u>
Increase <decrease> in net assets	149,095	<7,590>	290,509
Net assets, beginning of year	<u>890,735</u>	<u>85,844</u>	<u>692,147</u>
Net assets, end of year	<u>\$ 1,039,830</u>	<u>\$ 78,254</u>	<u>\$ 982,656</u>

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, 2004

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL MEMORANDUM ONLY	
							For the year ended June, 30	
	ADULT SUBSTANCE ABUSE SERVICES	HIGH RISK PREGNANCY	EMPLOYMENT TRAINING	RENAISSANCE ADOLESCENTS	MANAGEMENT AND GENERAL	FUND RAISING	2004	2003
Compensation expenses	\$ 521,008	\$ 311,655	\$ 201,662	\$ 113,845	\$ 73,863	\$ 29,658	\$ 1,251,691	\$ 1,167,235
Occupancy	163,991	12,408	65,630	30,707	22,627	-	295,363	140,205
Travel and transportation expenses	11,970	-	7,279	4,105	6,590	-	29,944	18,946
Specific assistance	16,507	-	605	2,865	-	-	19,977	12,851
Board generated self support	-	-	-	-	-	-	-	89
Other direct program/support expenses	<u>479,958</u>	<u>9,750</u>	<u>176,226</u>	<u>40,682</u>	<u>142,454</u>	<u>6,131</u>	<u>855,201</u>	<u>785,466</u>
Total expenses before depreciation	1,193,434	333,813	451,402	192,204	245,334	35,789	2,452,176	2,124,792
Depreciation and amortization	<u>11,430</u>	<u>9,143</u>	<u>-</u>	<u>-</u>	<u>4,836</u>	<u>-</u>	<u>25,409</u>	<u>19,341</u>
Total expenses	<u>\$ 1,204,864</u>	<u>\$ 342,956</u>	<u>\$ 451,402</u>	<u>\$ 192,204</u>	<u>\$ 250,370</u>	<u>\$ 35,789</u>	<u>\$ 2,477,585</u>	<u>\$ 2,144,133</u>

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

ODYSSEY HOUSE LOUISIANA, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2004

Increase <decrease> in cash and cash equivalents		
Cash flows from operating activities:		
Increase in net assets		\$ 141,530
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	\$ 24,509	
Unrealized appreciation of securities	< 795>	
Changes in assets and liabilities:		
Decrease in grants receivable	160,707	
Increase in other receivable	< 8,676>	
Decrease in unconditional promise to give	8,495	
Increase in prepaid expenses	< 4,377>	
Increase in accounts payable and accrued liabilities	<u>25,141</u>	<u>205,004</u>
Net cash provided by operating activities		<u>346,534</u>
Cash flows from investing activities:		
Purchase of securities		< 155>
Acquisition of equipment		<u>< 29,142></u>
Net cash used in investing activities		<u>< 29,297></u>
Cash flows from financing activities:		
Capital lease payments		<u>< 3,100></u>
Net cash used in financing activities		<u>< 3,100></u>
Net increase in cash and cash equivalents		314,137
Cash and cash equivalents, beginning of year		<u>271,067</u>
Cash and cash equivalents, end of year		<u>\$ 585,204</u>
<u>Cash paid during the year:</u>		
Interest		<u>\$ 818</u>

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

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the corporation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

Odyssey House Louisiana, Inc. is a non-profit corporation organized under the laws of the State of Louisiana. It provides long-term residential treatment services for individuals with drug and alcohol problems.

2. Financial Statement Presentation

The corporation's financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations," dated June 1993. Accordingly, the net assets of the corporation are reported in each of the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

3. Revenue Recognition

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

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

4. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets.

ODYSSEY HOUSE LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Receivables

The corporation considers accounts receivables to be fully collectible since the balance primarily consists of payments due under government contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

6. Inventory

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

7. Property, Buildings and Equipment

Odyssey House Louisiana, Inc. records property acquisitions at cost. Donated assets are recorded at estimated value at the date of donation. Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the assets. Depreciation and amortization expense for the year ended June 30, 2004 totaled \$24,509.

It is the policy of the corporation to capitalize all property, buildings, and equipment with an acquisition cost in excess of \$5,000.

8. Capital Leases

For financial reporting, the corporation capitalizes leased equipment. The balance sheet reflects all capitalized leased equipment as assets and obligations under capital leases. The capital lease obligations are recorded at the present value of the future minimum lease payments discounted at the interest rate implicit in each lease.

9. Estimates

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

10. Cash Equivalents

For purposes of the statement of cash flows, the corporation considers all demand deposits to be cash equivalents.

ODYSSEY HOUSE LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Fair Values of Financial Instruments

Marketable securities fair values are based on quoted market price for those or similar investments.

Cash and cash equivalents carrying amounts reported in the statement of financial position approximate fair values because of the short maturities on those investments.

12. Functional Allocation of Expenses

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

13. Total Columns of Combined Statements - Overview

Total columns are captioned "Memorandum Only" to indicate that they are presented only to assist with financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE B - INVESTMENTS

The investments at June 30, 2004 consist of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Mutual fund	<u>\$ 6,670</u>	<u>\$ 7,329</u>	<u>\$ 1,207</u>	<u>\$ 6,122</u>

The mutual fund was created with an initial investment of \$6,077 into an endowment fund administered by the Greater New Orleans Foundation. Annually, The Greater New Orleans Foundation distributes a portion of the earnings to Odyssey House Louisiana, Inc. while maintaining the integrity of the corpus.

The unrealized appreciation for the year ended June 30, 2004 totaled \$795, and the cumulative unrealized appreciation as of June 30, 2004 totaled \$659.

ODYSSEY HOUSE LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE B – INVESTMENTS – CONTINUED

Investment income at June 30, 2004 consists of the following:

Interest income	\$ 2,506
Dividend income	1,479
Unrealized appreciation on investment securities	<u>795</u>
	<u>\$ 4,780</u>

NOTE C – GRANT RECEIVABLES

Grant receivables at June 30, 2004 consist of the following:

State of Louisiana	
Department of Health and Hospitals	\$ 48,330
Department of Public Safety and Corrections	3,250
U. S. Department of Health and Human Services	67,238
City of New Orleans	32,095
Unity for the Homeless, Inc.	48,327
Council on Alcohol and Drug Abuse	24,790
Brotherhood, Inc.	23,666
Dryades YMCA	<u>2,500</u>
	<u>\$ 250,196</u>

NOTE D – UNCONDITIONAL PROMISE TO GIVE

The unconditional promise to give represents the United Way allocation for the program year July 1, 2004 through June 30, 2005. The United Way allocation totaled \$77,047.

ODYSSEY HOUSE LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE E – PROPERTY, BUILDINGS AND EQUIPMENT

Property, buildings and equipment at June 30, 2004 consist of the following:

Buildings and improvements	\$ 296,303
Furniture and fixtures	112,821
Assets acquired under capitalized leases	<u>42,993</u>
	452,117
Less accumulated depreciation and amortization	<u>< 295,122 ></u>
	156,995
Land	<u>89,855</u>
	<u>\$ 246,850</u>

NOTE F - CAPITAL LEASE OBLIGATION

Capital lease obligation at June 30, 2004 consists of the following:

Capital lease of copier due in monthly installments of \$275 including interest through March, 2005, interest at 11.5%	<u>\$ 2,108</u>
--	-----------------

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2004.

Years ending June 30,

2005	<u>\$ 2,200</u>
Total minimum lease payments	2,200
Less amount representing interest	<u>< 92 ></u>
Present value of net minimum lease payments	<u>\$ 2,108</u>

NOTE G – INCOME TAXES

The corporation is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

ODYSSEY HOUSE LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE H – COMMITMENT

The corporation leased property at 2432 Governor Nicholls Street, New Orleans, Louisiana, for use as a program facility and its administrative offices for two years ending June 30, 2004. In addition, the corporation leased property at 1441 N. Broad Street, New Orleans, Louisiana for use as a program facility for two years ending November, 2004. The rental expense for the year ended June 30, 2004 totaled \$31,400.

The future minimum lease payments are as follows:

Years ending June 30,

2005	<u>\$ 8,000</u>
------	-----------------

NOTE I - BOARD OF DIRECTORS COMPENSATION

The board of directors is a voluntary board; therefore, no compensation was paid to any board member during the year ended June 30, 2004.

NOTE J – FEDERALLY ASSISTED PROGRAMS

Odyssey House Louisiana, Inc. participates in a number of federally assisted programs. These programs are audited in accordance with the 2003 Single Audit Act. Audits of prior years have not resulted in any disallowed costs; however, grantor agencies may provide for further examinations. Based on prior experience, the corporation's management believes that further examinations would not result in any significant disallowed costs.

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.

NOTE K – CONCENTRATION OF CREDIT RISK

Bank balances at 6-30-04	\$ 658,068
Less FDIC and SPIC insurance	<u>< 618,468 ></u>
Unsecured balance	<u>\$ 39,600</u>

ODYSSEY HOUSE LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE L - 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 the funds the corporation receives could be reduced significantly and have an adverse impact on its operations. At the time of completion of the examination of the corporation's financial statements, management was not aware of any actions taken that would adversely affect the amount of funds the corporation will receive in the next fiscal year.

The corporation's support through federal grants totaled 94% for the year ended June 30, 2004.

SUPPLEMENTAL INFORMATION

ODYSSEY HOUSE LOUISIANA, INC.

STATEMENT OF ACTIVITIES BY PROGRAM

For the year ended June 30, 2004

	<u>PROGRAM SERVICES</u>				<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>
<u>ADULT</u>	<u>ABUSE SERVICES</u>	<u>HIGH RISK PREGNANCY</u>	<u>EMPLOYMENT TRAINING</u>	<u>RENAISSANCE ADOLESCENTS</u>		
REVENUE						
Board generated self-support	\$ -	\$ -	\$ -	\$ -	\$ 77,781	\$ 77,781
Client generated self-support	64,612	21,537	-	-	21,375	107,524
Government grants	1,158,483	333,813	451,402	192,204	181,952	2,317,854
Other revenue	-	-	-	-	17,862	17,862
United Way designations	-	15,932	-	-	-	15,932
CFC designations	-	5,090	-	-	-	5,090
United Way allocation	85,542	-	-	-	-	85,542
Total revenue	<u>1,308,637</u>	<u>376,372</u>	<u>451,402</u>	<u>192,204</u>	<u>298,970</u>	<u>2,627,585</u>
EXPENSES						
Compensation expenses	521,008	311,655	201,662	113,845	103,521	1,251,691
Occupancy expenses	163,991	12,408	65,630	30,707	22,627	295,363
Travel and transportation expenses	11,970	-	7,279	4,105	6,590	29,944
Specific assistance	16,507	-	605	2,865	-	19,977
Other program expenses	479,958	9,750	176,226	40,682	148,585	855,201
Total expenses	<u>1,193,434</u>	<u>333,813</u>	<u>451,402</u>	<u>192,204</u>	<u>281,323</u>	<u>2,452,176</u>
Increase in net assets	<u>\$ 115,203</u>	<u>\$ 42,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,647</u>	<u>\$ 175,409</u>
Depreciation and amortization	<u>\$ 11,430</u>	<u>\$ 9,143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,836</u>	<u>\$ 25,409</u>
NOTE						

PRESENTATION OF FINANCIAL STATEMENT

The financial statement is presented in the Functional Budget Spreadsheet format required by United Way for the year ended June 30, 2004. The United Way allocation represents funds awarded for the period July 1, 2003 through June 30, 2004.

ODYSSEY HOUSE LOUISIANA, INC.

**STATEMENT OF ACTIVITIES –
CDBG GRANT #50-138(95)**

For the year ended June 30, 2004

Revenue	
Grant appropriation	\$ 24,906
Expenses	
Salaries	22,906
Fringe benefits	<u>2,000</u>
	<u>24,906</u>
 Increase in net assets	 <u>\$ -</u>

ODYSSEY HOUSE LOUISIANA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2004

<u>PROGRAM TITLE</u> <u>EXPENDITURES</u>	<u>Contract</u> <u>Number</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Services to HIV/AIDS substance abuse women	-	93.230	\$ 609,773
Funds passed through State of Louisiana			
Department of Health & Hospitals:			
Alcohol and Drug Abuse	599866	93.959	438,966
Temporary Assistance for Needy Families (TANF)	599708	93.958	135,498
Funds passed through City of New Orleans:			
Ryan W. White Title I	-	93.118	67,255
Funds passed through Brotherhood, Inc.:			
HIV prevention and substance abuse	-	93.243	189,028
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,440,520</u>
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Funds passed through the City of New Orleans:			
McKinney Homeless Assistance Grant	-	14.231	2,130
YES, Youth Enhancement through Healthier Families	50-138(95)	14.218	24,906
Funds passed through Unity for the Homeless, Inc.:			
Supportive Housing Grant		14.235	<u>197,398</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>224,434</u>
U. S. DEPARTMENT OF LABOR			
Employment and Training		17.253	<u>463,138</u>
TOTAL DEPARTMENT OF LABOR			<u>463,138</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,128,092</u>

ODYSSEY HOUSE LOUISIANA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the year ended June 30, 2004

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Presentation of Financial Statements

The accompanying Schedule of Expenditures of Federal Awards has been prepared 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.

Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Odyssey House Louisiana, Inc.

I have audited the financial statements of Odyssey House Louisiana, Inc. as of and for the year ended June 30, 2004, and have issued my report thereon dated October 14, 2004. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether Odyssey House Louisiana, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Odyssey House Louisiana, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

Justin J. Scanlon, CPA

New Orleans, Louisiana
October 14, 2004

Justin J. Scanlan, C.P.A.

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

Board of Directors
Odyssey House Louisiana, Inc.

Compliance

I have audited the compliance of Odyssey House Louisiana, Inc. with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2004. Odyssey House Louisiana, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Odyssey House Louisiana, Inc.'s management. My responsibility is to express an opinion on Odyssey House Louisiana, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Odyssey House Louisiana, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Odyssey House Louisiana, Inc.'s compliance with those requirements.

In my opinion, Odyssey House Louisiana, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Odyssey House Louisiana, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Odyssey House Louisiana, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

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

Justin J. Scanlon, CPA

New Orleans, Louisiana
October 14, 2004

ODYSSEY HOUSE LOUISIANA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2004

A. SUMMARY OF AUDITOR'S RESULTS

1. An unqualified opinion was issued on the financial statements of the auditee.
2. The statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether such conditions were material weakness is not applicable.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of the auditee.
4. The statement that reportable conditions in internal control over major programs were disclosed by the audit and whether such condition were material weakness is not applicable.
5. The auditor's report on compliance for the major programs for Odyssey House of Louisiana, Inc. expresses an unqualified opinion.
6. The audit disclosed no findings which are required to be reported under Section 510(a) of Circular A-133.
7. The major programs for the year ended June 30, 2004 consist of the following:
 - Alcohol and Drug Abuse – CFDA No. 93.959
 - Employment and Training – CFDA No. 17.253
 - Services to HIV/AIDS substance abuse women – CFDA No. 93.230
8. The dollar threshold to distinguished between Type A and Type B programs were \$300,000.
9. The auditee did not qualify as a low-risk auditee.

B. FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements for the year ended June 30, 2004.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no items identified in the course of my testing during the current year required to be reported.

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no prior year audit findings.