ACADIANA OUTREACH CENTER, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012

P&N Postlethwaite & Netterville
A Professional Accounting Corporation
www.pncpa.com

ACADIANA OUTREACH CENTER, INC.

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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 statements of financial position of Acadiana Outreach Center, Inc. (a non-profit organization) and its subsidiary as of June 30, 2012 and 2011, and the related consolidated statements of activities, functional expenses and cash flows for the years 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 audits.

We conducted our audits 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 audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Acadiana Outreach Center, Inc. and its subsidiary as of June 30, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the financial statements, an error resulting in an overstatement of amounts previously reported for accrued expenses as of June 30, 2011, were discovered by management of the Organization in the current year. Accordingly, amounts reported for accrued expenses and unrestricted net assets have been restated in the 2011 financial statements now presented, and an adjustment has been made to net assets as of June 30, 2011, to correct the error. Our opinion is not modified with respect to that matter.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012 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.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 17, 2012

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ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	$ 12,681	$ -
Cash held on behalf of others	3,447	513
Accounts receivable (net of allowances of $0 and $5,000, respectively)	-	18,010
Pledges receivable	-	10,136
Grants receivable	7,077	22,814
Other receivable	-	15,385
Prepaid expenses	-	11,797
Total current assets	23,205	78,655
OTHER ASSETS		
Escrow	-	82,929
Total other assets	-	82,929
PROPERTY AND EQUIPMENT		
Property and equipment, net	190,555	2,637,375
Construction in progress	-	362,937
	190,555	3,000,312
Total Assets	$ 213,760	$ 3,161,896

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

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES		
Checks in excess of bank balance	$ -	$ 3,681
Accounts payable	80,760	141,662
Program revenue liability	11,987	49,173
Accrued expenses	44,233	165,746
Lease payable - current portion	-	4,782
LISC note payable - current portion	-	179,525
Lines of credit	-	483,923
Amounts held on behalf of others	-	14,467
Total current liabilities	136,980	1,042,959
LONG-TERM LIABILITIES		
Lease payable - less current portion	-	129,067
Lease deposit	-	1,000
Note payable - long term	-	1,000,000
Total long-term liabilities	-	1,130,067
Total liabilities	136,980	2,173,026
NET ASSETS		
Unrestricted net assets	76,780	978,734
Temporarily restricted net assets	-	10,136
Total net assets	76,780	988,870
Total Liabilities and Net Assets	$ 213,760	$ 3,161,896

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
REVENUES		
Donor contributions	$ 77,228	$ 77,620
Special events	238,672	308,539
Investment income	23	347
Grants	242,748	1,385,137
In-kind donations	3,312	275,100
Program revenue	65,874	313,201
Other revenue	31,211	13,858
Total revenues	659,068	2,373,802
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	10,136	10,135
Total revenue and support	669,204	2,383,937
EXPENSES		
Program	687,584	2,210,942
Management and general	128,071	366,533
Fundraising	70,846	164,139
Loss on disposal of assets	684,657	10,158
Total expenses	1,571,158	2,751,772
Change in unrestricted net assets	(901,954)	(367,835)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Grants	-	20,271
Net assets released from restrictions	(10,136)	(10,135)
Change in temporarily restricted net assets	(10,136)	10,136
Change in net assets	(912,090)	(357,699)
Net assets at beginning of year, as previously reported	928,989	1,346,569
Correction of an error for overstatement of accrued expenses (see Note 11)	59,881	-
Net assets - beginning of the year, as restated	988,870	-
Net assets- end of year	$ 76,780	$ 988,870

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, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (912,090)	$ (357,699)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Depreciation	59,101	94,431
Loss on disposition of assets	684,657	10,158
Bad debt expense	-	30,032
Changes in operating assets and liabilities:		
Deposits	-	35,000
Escrow	82,929	(82,929)
Accounts receivable	18,010	50,460
Pledges receivable	10,136	(10,136)
Grants receivable	15,737	290,933
Other receivable	15,385	(15,385)
Prepaid expenses	11,797	(1,582)
Accounts payable	(78,303)	37,036
Grant payable	(37,186)	49,173
Other payable	(1,000)	-
Accrued expenses	(46,513)	136,559
Net cash provided by (used in) operating activities	(177,340)	266,051
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in progress	-	(258,444)
Purchases of property and equipment	-	(661,879)
Sale of property and equipment	193,702	-
Net cash provided by (used in) investing activities	193,702	(920,323)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on lease	-	(4,144)
Proceeds from financing	-	74,567
Principal payments on debt	(30,000)	-
Proceeds from issuance of debt	30,000	-
Line of credit	-	235,054
Checks in excess of bank balance	(3,681)	3,681
Net cash provided by (used in) financing activities	(3,681)	309,158
Net increase (decrease) in cash and cash equivalents	12,681	(345,114)
Cash and cash equivalents - beginning of year	-	345,114
Cash and cash equivalents - end of year	$ 12,681	$ -
Supplemental Information:		
Schedule of Noncash Investing and Financing Transactions		
Land purchased	-	1,000,000
Notes payable	-	(1,000,000)
Proceeds from sale of properties	1,872,297	-
Payoff of the debt, payables and accrued expenses	(1,872,297)	-
	-	-
Cash paid for interest expense	$ 18,547	$ 18,362

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, 2012 AND 2011

	2012			
	Program	Management and General	Fundraising	Total
Salary and wages expense	$ 351,812	$ 97,953	$ 40,000	$ 489,765
Professional fees	14,700	14,700	-	29,400
Client assistance expense	24,594	-	-	24,594
Insurance	49,731	2,617	-	52,348
Office expenses	22,175	2,464	-	24,639
Utilities and waste expense	47,543	2,502	-	50,045
Repairs and maintenance	23,718	1,248	-	24,966
Staff development	4,437	-	-	4,437
Fundraising expense	-	-	30,846	30,846
Interest expense	18,547	-	-	18,547
In-kind donations expense	5,173	-	-	5,173
Depreciation expense	56,146	2,955	-	59,101
Homeless Management Information Systems (HMIS) expense	-	-	-	-
Other expenses	69,008	3,632	-	72,640
Lease expense	-	-	-	-
Bad debt expense	-	-	-	-
	$ 687,584	$ 128,071	$ 70,846	$ 886,501

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

2011			
Program	Management and General	Fundraising	Total
$ 991,535	$ 257,884	$ 40,000	$ 1,289,419
48,326	48,326	-	96,652
153,537	-	-	153,537
116,891	6,152	-	123,043
35,847	3,983	-	39,830
143,314	7,543	-	150,857
39,534	2,081	-	41,615
270	-	-	270
-	-	124,139	124,139
18,362	-	-	18,362
345,750	-	-	345,750
89,709	4,722	-	94,431
5,100	-	-	5,100
40,365	5,810	-	46,175
182,402	-	-	182,402
-	30,032	-	30,032
$ 2,210,942	$ 366,533	$ 164,139	$ 2,741,614

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 Organization 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 substance abuse/mental health services, or 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 was a 100% owned subsidiary of Acadiana Outreach Center, Inc. Urban Ventures, LLC was terminated in January 2012. See Note 10.

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:

Active Programs:
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.

In-active Programs:
Recovery Action Center (Basic Needs Services) - Acadiana Outreach Center, Inc. provided the poor and homeless with an outreach and intake center providing basic services such as restroom, shower and laundry facilities, clothing, and necessities. The clients of the Recovery Action Center also received 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 coordinated 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 stayed open overnight for Freeze Plan as a way to provide safety for the homeless from the inclement weather. The Recovery Action Center was closed during the 2012 fiscal year.

Three Graces Substance Abuse Treatment Facility – This facility was opened during the fiscal year ended June 30, 2011 and closed during the 2012 fiscal year. The Three Graces Substance Abuse Treatment Facility in Abbeville, LA was a 90-bed, dual diagnosis behavioral healthcare program focusing on the co-existence of mental health and substance abuse conditions. Clients were referred from a variety of sources, including inpatient treatment centers, family members, Drug Court

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

programs from across the state, et cetera. Clients receive substance abuse and mental health counseling, vocational assessment and rehabilitative counseling, and employment preparedness, job search and placement assistance. Three Graces collaborated 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. The facility offered intensive outpatient and sober living services, expanded to include a 28-day medically-supported detox program, allowing clients to experience a full spectrum of care within one program.

Lafayette Campus Sober Living Houses – The five JOTC houses on the former Lafayette Campus were Sober Living transitional three-quarter houses for clients of the Three Graces program. Once clients completed the Abbeville program, they were eligible to move into one of these houses in order to begin their transition into a post-treatment life. Within these sober living houses, clients received basic shelter services (shelter, meals, bathing, laundry, phone, mail) as well as educational, living skills activities and other support services that enable them to learn new coping mechanisms and habits that will enable them to maintain their sobriety post-treatment. These houses included:

- *Naomi House:* a fourteen-bed shelter for women
- *Joshua House:* an eight-bed shelter for men
- *Monroe House:* a fourteen-bed shelter for men
- *Genesis and Journey Houses:* sheltering ten men and women

This program was discontinued and houses sold during the 2012 fiscal year.

Community Activity Center - This facility served as a community activity and training center for all Acadiana Outreach Center programs. The facility also housed additional projects that provided 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 were held each year in this location where free services were 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 included training workshops, AA and NA meetings, and church services. The Community Activity Center was closed during the 2012 fiscal year.

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. 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 proved 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. The Acadiana Outreach Center had a pivotal role in the State of Louisiana's goal of combining several regional HMIS databases into one overall statewide site. Due to organizational restructuring in the current year, this service was discontinued during the 2012 fiscal year.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Acadiana Outreach Center Inc. and its 100% owned subsidiary Urban Ventures, LLC, which began operations on April 30, 2009 and was terminated in January 2012. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

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 had temporarily restricted net assets of $0 and $10,136 at June 30, 2012 and 2011, respectively. The Organization did not have any permanently restricted net assets at June 30, 2012 or June 30, 2011.

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 which is then treated as cost. 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

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. 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.

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 Statements of Activities. Grants receivable represent amounts owed to the Organization for costs incurred under federal and state grant contracts which are reimbursable to the Organization.

The allowance for doubtful accounts is based on management's estimate of collectability of receivables based on economic conditions, experience and other relevant factors. Accounts receivable is recorded net of an allowance for bad debts of $0 and $5,000 at June 30, 2012 and 2011, respectively.

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, 2012 and 2011, the total value of contributed services meeting the requirements for recognition totaled $0 and $60,727, respectively. Contributed services represent volunteer hours worked by various social workers and other professionals. Due to the termination of various programs during fiscal year 2012, no services were provided in the current year.

Donated Supplies

The Organization received various donated supplies to be used within the programs and to be distributed to clients without charge during the fiscal years ended June 30, 2012 and 2011. 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, 2012 and 2011 were $3,312 and $214,373, respectively.

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 Activities and 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 2009, the Organization adopted the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Organization recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Organization has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. With few exceptions, the Organization is no longer subject to federal, state, or local tax examinations by tax authorities for years before June 30, 2009.

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, 2012 and 2011 was as follows:

	2012	2011
Land	$ 56,500	$ 1,858,167
Buildings & improvements	212,658	1,294,520
Vehicles	31,722	31,722
Furniture, fixtures, & equipment	168,528	349,412
	$ 469,408	$ 3,533,821
Accumulated depreciation	(278,853)	(896,446)
Net book value	$ 190,555	$ 2,637,375

Depreciation expense for the years ended June 30, 2011 and 2010 totaled $59,101 and $94,431, respectively.

Construction in progress for the years ended June 30, 2012 and 2011 totaled $0 and $362,937, respectively. See Note 10.

4. **Lease Payable**

The Lease payable at June 30, 2012 and 2011 consists of the following:

	2012	2011
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. Lease terminated in January 2012.	$ -	$ 133,849

The lease was 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, 2012 and 2011. Acadiana Outreach Center, Inc. had the option to purchase the leased property at anytime during the term of the agreement. The lease was paid in full in January 2012.

5. **Line of Credit**

The Organization had a line of credit for up to $248,869 with a balance of $0 and $233,923 at June 30, 2012 and 2011, respectively. The loan was to be repaid in 23 monthly payments of $2,710 and a final payment of $212,248 with an interest rate of 5.5%. The line of credit was secured by property and matured on February 7, 2013. The line of credit was payable upon demand and thus was classified as a current liability. The line of credit was paid in full and closed in January 2012.

The Organization had a second line of credit for up to $250,000 with a balance of $0 and $250,000 at June 30, 2011 and 2011, respectively. An interest rate of 5% of the current balance outstanding was payable monthly. The line of credit was secured by property and was to mature on July 5, 2012. This line of credit was payable upon demand and thus classified as a current liability. The line of credit was paid in full and closed in January 2012.

Interest expense for the fiscal years 2012 and 2011 totaled $18,547 and $18,362, respectively.

6. **Notes Payable**

In October 2009, the Organization entered into a promissory note with Local Initiatives Support Corporation (LISC) for a loan of up to $180,000. This loan was an unsecured, full recourse obligation note which bears no interest. The note was due in the 2012 fiscal year and thus was classified as a current liability. The balance of the note payable as of June 30, 2012 and 2011 was $0 and $179,525, respectively. The proceeds from this note could only be used to pay pre-development costs on properties specified by the terms of the agreement. This note was paid in full in January 2012.

In April 2011, the Organization entered into a promissory note with Lafayette Public Trust Financing Authority (LPTFA) for $1,000,000 to acquire property related to the Joie de Vivre project. This loan was secured by the properties acquired and beared no interest until the project was considered "placed in service." The balance of this note as of June 30, 2012 and 2011, respectively was $0 and $1,000,000. This note was transferred to Lafayette Public Trust Financing Authority (LPTFA) during the sale of assets in January 2012. See Note 10.

7. **Program Revenue Liability**

In July 2011, the Organization's ATR program was audited by DHH and deficiencies were noted that resulted in $29,190 reimbursement to the ATR program. Payments will be made through a reduction of future revenues beginning in September 2011 until paid in full. The balance of the liability at June 30, 2012 and 2011, respectively, is $11,987 and $29,190.

In July 2011, the Organization requested a reimbursement of expenses related to the HUD HMIS program for expenses related to the 2011 fiscal year. Upon further review, the Organization noted that the amounts requested totaling $19,983 were received but not utilized for the purpose of the request or grant. The balance of the liability at June 30, 2012 and 2011, respectively, is $0 and $19,983.

8. **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.

9. **Temporarily Restricted Net Assets**

There were no temporarily restricted net assets received in the current year. Net assets of $10,136 were restricted for the United Way Skillful Families for Acadiana at June 30, 2011. The requirements of this restriction were met in 2012. Thus, the related net assets were released from restriction in 2012. There were no temporarily restricted net assets at June 30, 2012.

10. **Current Operating Environment**

In August 2011 Three Graces Substance Abuse Treatment Facility was closed due to inability to generate positive cash flow.

In January 2012, Acadiana Outreach Center transferred the Joie de Vivre project to Lafayette Public Trust Financing Authority (LPTFA) due to financial conditions. The transfer included the properties, the prior year construction in progress, along with the $1,000,000 note payable to LPTFA. Additionally, for $1.13 million, the LPTFA agreed to purchase an additional nine Acadiana Outreach Center properties and acquired 100% ownership in JDV Development LLC. The purchase included the Center's main campus and administrative offices as well as properties used as transitional shelters for men and women in their recovery programs. The proceeds from the sale were used to pay off the related payables for the project, the LISC note payable, lease payable, a portion of the accrued expenses and the lines of credit.

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 was a 100% owned subsidiary of Acadiana Outreach Center, Inc. In January 2012, Urban Ventures, LLC was terminated.

In February 2012, two HUD grants (HMIS and Oasis) previously administered by AOC were transferred to Lafayette Catholic Charities.

10. **Current Operating Environment** (continued)

During fiscal year ended June 30, 2012 Acadiana Outreach Center reduced the number of programs offered and made significant reduction in staff in order to continue operations at a smaller scale. At June 30, 2012, AOC had minimal cash on hand and accumulated net assets were reduced significantly due to the net loss of $912,090 for the year ended June 30, 2012. The operating results for fiscal year 2012 included over $170,000 loss related to the Three Graces Program which was discontinued in August 2011. There was a one-time loss of $684,657 on the divestment of non- performing assets in January 2012. The Organization has developed a management plan to manage its cash flows, revenues and expenses in the upcoming year. The funding for the Lighthouse Women and Children's Shelter grant has been renewed. In November 2012, AOC held a major fundraising event that generated net revenue, as the event has done in prior years, for the Organization. The Organization is actively seeking new funding sources to promote their mission.

11. **Correction of an Error**

For the year ended June 30, 2011, an error relating to the calculation of accrued expenses resulted in the overstatement of accrued expenses and the understatement of unrestricted net assets. The prior year financial statements have been restated to correct this error by decreasing the accrued expense balance from $225,627 to $165,746 as of June 30, 2011. Net assets at June 30, 2011 have been restated as follows:

Unrestricted net assets, as previously reported	$	918,853
Correction of an error, change in accrued expenses		59,881
Unrestricted net assets, as restated		978,734
Temporarily restricted net assets		10,136
Total net assets	$	988,870

12. **Subsequent Events**

Management has evaluated subsequent events through the date the financial statements were available to be issued, December 17, 2012, and determined that the following event has occurred that requires disclosure: On September 27, 2012, Acadiana Outreach Center signed documents with a financial institution to obtain a revolving line of credit in the amount of $20,000. Interest is payable monthly at an annual interest rate of 4.5%, continuing until the debt is paid in full. The line of credit matures on September 26, 2013.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AND AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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, 2012, and have issued our report thereon dated December 17, 2012. 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

Management of the Organization is responsible for establishing and maintaining effective 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 deficiencies, 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. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2012-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 17, 2012

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012

FINDINGS – FINANCIAL STATEMENT AUDIT

2012-1 Grant Related Reimbursements

Criteria: OMB Circular A-122 requires that charges to awards for salaries and wages, whether treated as direct costs or indirect costs, are to be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports. These reports must reflect the distribution of activity of each employee and must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to the grant award. The reports are to be prepared monthly and coincide with one or more pay periods. The reports must also reflect an after-the-fact determination of the actual activity of each employee and be signed by a supervisor with firsthand knowledge of the activities performed by the employee.

Condition: Administrative salaries of the Organization including the CEO, Financial Manager, Property Manager, Resident Manager, and administrative support personnel were not supported by personnel activity reports as required under OMB Circular A-122. This is a repeat finding from the prior year.

Cause: Management was unaware of the criteria requiring personnel activity reports for each employee charged to the grant and due to the recent turnover in management staffing unable to locate timesheets supporting the time charged to the grant award.

Effect: The Organization did not meet the documentation requirements of OMB Circular A-122.

Recommendation: Management should develop policies and procedures to ensure that all salaries and wages charged to grant awards should be supported by personnel activity reports as required under OMB Circular A-122.

View of Responsible Official and Planned Corrective Action:
The employee responsible for submitting these reimbursements in question for salaries left in October 2011. All backup for timesheets after October 2011 were correctly documented and provided at auditors' request. Management has implemented policies and procedures to correct this issue.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011

FINDINGS – FINANCIAL STATEMENT AUDIT

2011-1 Financial statement preparation

Criteria: The concept of internal control over financial reporting relates to policies and procedures that exist regarding 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 drafting the financial statements and related note disclosures required for the year-end financial reporting. In the current period we proposed numerous journal entries including an entry to record the $1,000,000 note payable to Lafayette Public Trust Financing Authority. The fact that our role is a key part of the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) is an indication that the internal control over year-end GAAP financial statements by Organization personnel is not sufficient. **This is a repeat finding from the prior year.**

Cause: The material weakness was caused due to management turnover at both the CEO level and financial manager level, as well as the lack of recording all transactions on a timely basis.

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

Recommendation: The Organization should take a more active and participatory role in the drafting of financial statements and related notes and the recognition and timely recording of material non-cash transactions.

View of Responsible Official and Planned Corrective Action:
The Organization has now restructured its Finance Department to include the hiring of an independent CPA to prepare such monthly reports. This person reports directly to the Board of Directors. In addition, the Board has voted to increase the number of times they meet during the year from once a quarter to monthly. Full board meets every other month and the Executive Committee meets on alternate months.

Current Status: Corrected.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011

FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2011-2 Reconciliation of key balance sheet accounts to supporting information

Criteria: Internal control over financial information includes ensuring that policies and procedures exist that require reconciliations of key balance sheet accounts in the general ledger to supporting information and schedules. Additionally all transactions both incoming and outgoing via wire transfers should be recorded on a timely basis.

Condition: During the audit, we noted that many of the balance sheet accounts required adjustment. The following accounts had not been reconciled to the general ledger during the year or at year end: cash, receivables, prepaid assets, fixed assets, accounts payable and other liabilities. We also noted that a substantial number of incoming and outgoing wire transfers were not recorded. Accounting tasks such as monthly reconciliations play a key role in proving the accuracy and timeliness of accounting data and information included in financial statements.

Cause: The material weakness was caused due to management turnover at both the CEO level and financial manager level and the use of two accounting systems during the year.

Effect: The information in the general ledger was not complete and accurate at year-end and required numerous adjusting journal entries. Weak internal controls increase the risk of misappropriation or loss that could occur or not be detected in a timely manner, if at all.

Recommendation: The Organization should establish monthly processes and reviews, which include reconciliations of key balance sheet accounts as a customary part of their monthly closing process. This would involve monthly reconciliations of all accounts, making adjustments throughout the year that have been typically been made at year-end only, and performing more frequent reviews of the general ledger throughout the year, including making any necessary adjustments. We also recommend that the use of two accounting systems be discontinued and that all transactions be recorded on a timely basis in one general ledger.

SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011

FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2011-2 Reconciliation of key balance sheet accounts to supporting information (continued)

View of Responsible Official and Planned Corrective Action:
The Organization has now restructured its Finance Department to include the hiring of an independent CPA to prepare such monthly reports. This person reports directly to the Board of Directors. In addition, the Board has voted to increase the number of times they meet during the year from once a quarter to monthly. Full board meets every other month and the Executive Committee meets on alternate months. In addition, a full conversion to QuickBooks has been completed so that is the only accounting systems the Organization is now using.

Current Status: Corrected.

2011-3 Grant related reimbursements

Criteria: Internal controls should be in place to ensure proper tracking of the grant revenue and related expenditures in order to properly support grant reimbursement requests.

Condition: As part of the audit process we noted that policies and procedures were not in place to ensure proper documentation was maintained and submitted with the reimbursement requests. After a third party review, it was determined that the Organization did not have the proper support for requesting reimbursement. The Organization has subsequently made repayment to the grantor.

Cause: The material weakness was caused due to management turnover at both the CEO level and financial manager level. In addition, the grant volume increased during the year as the Organization has established new programs.

Effect: Weak internal controls increase the risk of misappropriation or loss that could occur or not be detected in a timely manner, if at all.

Recommendation: Management should develop policies and procedures for tracking and reporting of grant revenues and expenditures. Also, reimbursement requests should be reviewed for accuracy and proper support by management.

View of Responsible Official and Planned Corrective Action:
Upon the recommendation of the auditors, the Organization has adopted a new spreadsheet / binder system to track grant revenue. In addition, CEO has been training with HUD on specifically how grant vouchers should be prepared. Once a draw has been made, a copy of the voucher will be given to the Financial Manager for proper recording.

Current Status: Corrected.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011

FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2011- 4 Support for Employee Reimbursement Requests

Criteria: Internal controls should be in place to ensure proper documentation is maintained for all employee reimbursement requests and that reimbursements are in accordance with established policies and procedures.

Condition: As part of the audit process we noted that policies and procedures were not in place to ensure proper documentation was submitted and maintained with the reimbursement requests. As a result of the turnover in the CEO position, Management performed an internal review of employee expense reimbursements. The results of the investigation showed evidence unauthorized reimbursement of expenses out of unrestricted funds totaling a maximum of $18,000. The Organization reimbursed the former employee for items that appeared to be personal expenses which were charged on a credit card for meals, gasoline, hotel charges and other non-business related expenses. Unsupported mileage reimbursements were also submitted and paid by the Organization. Management has determined that no federal or state funds were used to pay these expense reimbursements.

Cause: This significant deficiency was caused due to lack of monitoring and lack of segregation of duties over employee reimbursements.

Effect: Weak internal controls increase the risk of misappropriation or loss that could occur or not be detected in a timely manner, if at all.

Recommendation: Management should develop policies and procedures to ensure proper receipts are maintained for all employee reimbursement requests. We recommend that a board member approve all reimbursements to the CEO.

View of Responsible Official and Planned Corrective Action:
All employee reimbursement requests must be submitted with an internal form and copy of the receipt. All CEO reimbursements must be approved by a member of the Board of Directors. The employee is no longer working for the Organization and has made restitution of approximately $15,200 and the internal investigation has been closed.

Current Status: Corrected.

SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011

FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2011-5 Timely Submission of the Financial Statement and Compliance Audit

Criteria: LA R.S. 24:513 requires all political subdivisions to submit audited financial statements and other appropriate compliance audit reports to the Louisiana Legislative Auditor within six months of the end of its fiscal year.

Condition: The financial statements and compliance audits were submitted after the six month time frame.

Cause: Management turnover at both the CEO level and financial manager level and the use of two accounting systems during the year caused a delay in preparing the financial statements.

Effect: The Organization is out of compliance with the statute.

Recommendation: The Organization should establish monthly processes and reviews, which include reconciliations of key balance sheet accounts as a customary part of their monthly closing process. This would involve monthly reconciliations of all accounts, making adjustments throughout the year that have been typically been made at year-end only, and performing more frequent reviews of the general ledger throughout the year, including making any necessary adjustments. We also recommend that the use of two accounting systems be discontinued and that all transactions be recorded on a timely basis in one general ledger.

View of Responsible Official and Planned Corrective Action:
The Organization's Management agrees with the finding. We would like to point out that submitting our audits untimely is an uncommon practice. This year's audit encountered unusual circumstances. However, steps will be taken to ensure timely submission of future audits in accordance with the aforementioned statute.

Current Status: Corrected