ACADIANA OUTREACH CENTER, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

P&N Postlethwaite & Netterville

A Professional Accounting Corporation

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ACADIANA OUTREACH CENTER, INC.

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A Professional Accounting Corporation
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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
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, 2013 and 2012, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

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, 2013 and 2012, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013 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 9, 2013

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	$ 75,258	$ 12,681
Cash held on behalf of others	-	3,447
Promises to give	8,350	-
Grants receivable	12,706	7,077
Prepaid expenses	2,450	-
Total current assets	98,764	23,205
PROPERTY AND EQUIPMENT		
Property and equipment, net	177,825	190,555
Total property and equipment	177,825	190,555
Total Assets	$ 276,589	$ 213,760

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

LIABILITIES AND NET ASSETS

		2013		2012
CURRENT LIABILITIES				
Accounts payable	$	42,018	$	80,760
Program revenue liability		-		11,987
Accrued expenses		23,426		44,233
Total current liabilities		65,444		136,980
Total Liabilities		65,444		136,980
NET ASSETS				
Unrestricted net assets		211,145		76,780
Total net assets		211,145		76,780
Total Liabilities and Net Assets	$	276,589	$	213,760

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
REVENUES		
Donor contributions	$ 66,294	$ 77,228
Special events	197,472	238,672
Investment income	340	23
Grants	158,858	242,748
In-kind donations	42,148	3,312
Program revenue	48,204	65,874
Other revenue	10,151	31,211
Gain on sale of assets	1,300	-
Total revenues	524,767	659,068
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	-	10,136
Total revenue and support	524,767	669,204
EXPENSES		
Program	271,409	667,037
Management and general	32,421	146,618
Fundraising	86,572	72,846
Loss on disposal of assets	-	684,657
Total expenses	390,402	1,571,158
Change in unrestricted net assets	134,365	(901,954)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from restrictions	-	(10,136)
Change in temporarily restricted net assets	-	(10,136)
Change in net assets	134,365	(912,090)
Net assets - beginning of year	76,780	988,870
Net assets - end of year	$ 211,145	$ 76,780

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, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 134,365	$ (912,090)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,730	59,101
(Gain) loss on disposition of assets	(1,300)	684,657
Changes in operating assets and liabilities:		
Escrow	-	82,929
Accounts receivable	-	18,010
Pledges receivable	(8,350)	10,136
Grants receivable	(1,061)	15,737
Other receivable	(4,568)	15,385
Prepaid expenses	(2,450)	11,797
Accounts payable	(35,295)	(78,303)
Grant payable	(11,987)	(37,186)
Other payable	-	(1,000)
Accrued expenses	(20,807)	(46,513)
Net cash provided by (used in) operating activities	61,277	(177,340)
CASH FLOWS FROM INVESTING ACTIVITIES		
Gross proceeds from the sale of property and equipment	1,300	193,702
Net cash provided by investing activities	1,300	193,702
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	-	(30,000)
Proceeds from issuance of debt	-	30,000
Advance on line of credit	13,000	-
Payments on line of credit	(13,000)	-
Checks in excess of bank balance	-	(3,681)
Net cash used in financing activities	-	(3,681)
Net increase in cash and cash equivalents	62,577	12,681
Cash and cash equivalents - beginning of year	12,681	-
Cash and cash equivalents - end of year	$ 75,258	$ 12,681
Supplemental Information:		
Schedule of Noncash Investing and Financing Transactions		
Proceeds from sale of properties	-	1,872,297
Payoff of the debt, payables and accrued expenses	-	(1,872,297)
	-	-
Cash paid for interest expense	$ 2,767	$ 18,547

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, 2013 AND 2012

	2013			
	Program	Management and General	Fundraising	Total
Salary and wages expense	$ 175,856	$ 21,434	$ 21,434	$ 218,724
Professional fees	4,368	4,367	-	8,735
Client assistance expense	17,656	-	-	17,656
Insurance	13,530	712	-	14,242
Office expenses	10,102	532	-	10,634
Utilities and waste expense	12,923	680	-	13,603
Repairs and maintenance	10,258	540	-	10,798
Staff development	343	-	-	343
Fundraising expense	-	-	25,103	25,103
Interest expense	-	2,767	-	2,767
In-kind donations expense	-	-	40,035	40,035
Depreciation expense	12,093	637	-	12,730
Other expenses	14,280	752	-	15,032
	$ 271,409	$ 32,421	$ 86,572	$ 390,402

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

2012							
Program		Management and General		Fundraising		Total	
$	351,812	$	97,953	$	40,000	$	489,765
	14,700		14,700		-		29,400
	24,594		-		-		24,594
	49,731		2,617		-		52,348
	22,175		2,464		-		24,639
	47,543		2,502		-		50,045
	23,718		1,248		-		24,966
	4,437		-		-		4,437
	-		-		30,846		30,846
	-		18,547		-		18,547
	3,173		-		2,000		5,173
	56,146		2,955		-		59,101
	69,008		3,632		-		72,640
$	667,037	$	146,618	$	72,846	$	886,501

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Nature of Activities**

Acadiana Outreach Center, Inc. (the Organization or AOC) was organized under the provisions of R.S. 1950, Title 12, Chapter 2, as amended, of the State of Louisiana on November 5, 1990. The 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 during the 2012 fiscal year. See Note 7.

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 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 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 programs from across the state, et cetera. Clients receive

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

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 did not have any permanently or temporarily restricted net assets at June 30, 2013 or June 30, 2012.

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Promises to give are recognized as revenue in the period the promise is received. Promises to give 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. Based on management's assessment of collectability of its receivables, an allowance for doubtful accounts is not necessary at either June 30, 2013 or 2012.

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, 2013 and 2012, there were no contributed services meeting the requirements for recognition.

In-Kind Contributions

The organization received contributions of auction items, supplies, ticket printing, event catering and advertising for the Palates & Pate auction during the fiscal year ending June 30, 2013. The Organization received various donated supplies to be used for the Palates & Pate event as well as within the programs and to be distributed to clients without charge during the fiscal year ended June 30, 2012. These contributions have been recorded at their estimated fair value as revenue with the offset recorded to expenses. The values of in-kind contributions received during the years ended June 30, 2013 and 2012 were $42,148 and $3,312, respectively.

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.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes (continued)

The Organization accounts for income taxes in accordance with income tax accounting guidance included in the Accounting Standards Codification (ASC). 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 ending before June 30, 2010.

Reclassification

Certain reclassifications have been made to the financial statements and footnotes as of and for the year ended June 30, 2012, in order for them to conform to the current year presentation.

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, 2013 and 2012 was as follows:

	2013	2012
Land	$ 56,500	$ 56,500
Buildings & improvements	212,658	212,658
Vehicles	24,522	31,722
Furniture, fixtures, & equipment	168,528	168,528
	$ 462,208	$ 469,408
Accumulated depreciation	(284,383)	(278,853)
Net book value	$ 177,825	$ 190,555

Depreciation expense for the years ended June 30, 2013 and 2012 totaled $12,730 and $59,101, respectively.

4. **Line of Credit**

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, secured with a certificate of deposit. Interest is payable monthly at an annual interest rate of 4.5%, continuing until the debt is paid in full. The line of credit expired on September 26, 2013. The balance of the liability at June 30, 2013 was $0.

5. **Program Revenue Liability**

In July 2011, the Organization's ATR program was audited by the Department of Health and Human Services and deficiencies were noted that resulted in $29,190 reimbursement to the ATR program. Payments were made through a reduction of future revenues which began in September 2011 until paid in full. The balance of the liability at June 2012 was $11,987. At June 30, 2013, this liability was paid in full.

6. **Concentration of Credit Risk**

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

7. **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.

7. **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 years. AOC has increased its cash on hand and accumulated net assets at June 30, 2013. The Organization's operating environment has significantly improved resulting in a $134,365 increase in net assets for the year ending June 30, 2013. The Organization's strategy is to continue its management plan of managing its cash flows, revenues and expenses to generate positive cash flows in future years.

8. **Temporarily and Permanently Restricted Net Assets**

There were no temporarily or permanently restricted net assets received during the fiscal year ended June 30, 2013 or 2012. There were also no temporarily or permanently restricted net assets at June 30, 2013 or 2012.

9. **Subsequent Events**

Management has evaluated subsequent events through the date the financial statements were available to be issued, December 9, 2013, and determined that no events, other than the line of credit expiration discussed in Note 4, have occurred that require additional disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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

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

We have audited, in accordance with the 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, the financial statements of Acadiana Outreach Center, Inc. (the Organization) which comprise the consolidated statements of financial position as of June 30, 2013, the consolidated statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Acadiana Outreach Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Acadiana Outreach Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as item 2013-1 that we consider to be a significant deficiency.

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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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2013-1.

Acadiana Outreach Center's Response to Findings

Acadiana Outreach Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 9, 2013

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013

FINDINGS – FINANCIAL STATEMENT AUDIT

2013-1 Grant Related Reimbursements

Criteria: The terms of the grant award 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. *This is a repeat finding from the prior year.*

Cause: Management is currently requesting reimbursement for administrative salaries based on an estimated percentage of time spent on the grant. During the fiscal year, management implemented a timesheet procedure allowing for the tracking of actual time incurred on grant activities. However, this timesheet data was not compared to the estimated amounts requested for reimbursement.

Effect: The Organization did not meet the documentation requirements of the grant award.

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 the grant terms, and that this data is used in preparing grant reimbursement requests. Actual timesheet data should be compared to the estimated amounts on a quarterly basis, at a minimum.

View of Responsible Official and Planned Corrective Action:
Management will begin reviewing actual timesheets and amount spent on grants when preparing reimbursement requests in the future. Policies and procedures have been implemented to correct this issue.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012

FINDINGS – FINANCIAL STATEMENT AUDIT

2012-1 Grant Related Reimbursements

Criteria: The terms of the grant award 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. 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 the grant award.

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 the grant terms.

***Current Status:** Management implemented a timesheet procedure allowing the tracking of time spent on grant programs. This timesheet data has not been compared to the amounts and percent of employee salaries requested for grant reimbursement. This finding is repeated in the current year. See finding 2013-1.*

ACADIANA OUTREACH CENTER, INC

REPORT TO MANAGEMENT

JUNE 30, 2013

P&N

P&N Postlethwaite & Netterville

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

December 9, 2013

Board of Directors and Management of
Acadiana Outreach Center, Inc.
Baton Rouge, Louisiana

We have audited the consolidated financial statements of the Acadiana Outreach Center, Inc. (the Center), for the year ended June 30, 2013 and we have issued our report thereon. As part of our examination, we made a study and evaluation of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his audit of the financial statements.

The objective of internal control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of the financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

No matter how good a system, there are inherent limitations that should be recognized in considering the potential effectiveness of internal accounting. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the degree of compliance with the procedures may deteriorate. We say this simply to suggest that any system needs to be constantly reviewed and improved where necessary.

In planning and performing our audit of the consolidated financial statements of the Center in accordance with auditing standards generally accepted in the United States of America, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control.

However, during the course of our audit, we became aware of several matters that are opportunities for strengthening internal controls or operating efficiencies. Our comments and suggestions regarding those matters are set forth below. This letter does not affect our reports dated December 9, 2013, on the consolidated financial statements of the Center and the Center's internal control over financial reporting.

8550 United Plaza Blvd, Suite 1001 • Baton Rouge, LA 70809 • Tel: 225.922.4600 • Fax: 225.922.4611

2013-1 **Dual Signatures on Checks**

Condition: The Center's current policy over cash disbursements requires dual signatures on all outgoing checks regardless of amount. However, we identified several instances in which checks contained only one signature. This was limited to purchases made at "on demand" stores (i.e., Wal-Mart) where the Center does not receive invoices in advance of the purchase. In those instances where dual signatures were not obtained, our testing revealed that these purchases were made for legitimate business purposes.

Recommendation: We recommend that management review its current policy to ensure proper controls over cash disbursements are adequate yet not too restrictive as to prevent adherence to the established policy.

Management's Response and Corrective Action:

Management and the Board of Directors will review the current policy over cash disbursements, proposing changes as deemed necessary to allow for these "on demand" store purchases while also keeping in mind the importance of internal controls.

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

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

Sincerely,

Postlethwaite & Netterville