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**BEHAVIORAL MEDICINE AND
ADDICTIVE DISORDERS, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2009 AND 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/25/10

**BEHAVIORAL MEDICINE AND ADDICTIVE
DISORDERS, INC.**

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholder
Behavioral Medicine and Addictive Disorders, Inc.

We have audited the accompanying balance sheets of Behavioral Medicine and Addictive Disorders, Inc. (a Louisiana Corporation) as of December 31, 2009 and 2008, and the related statements of income, shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Behavioral Medicine and Addictive Disorders, Inc. as of December 31, 2009, and the results of its operations, changes in shareholder's equity and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2010 on our consideration of Behavioral Medicine and Addictive Disorder, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Bond & Tousignant, LLC

Monroe, Louisiana
June 15, 2010

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
BALANCE SHEETS
DECEMBER 31, 2009 AND 2008

	ASSETS	
	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,090	\$ 11,715
Accounts Receivable	35,353	34,286
Due from Related Parties	<u>23,528</u>	<u>-</u>
Total Current Assets	<u>61,971</u>	<u>46,001</u>
PROPERTY AND EQUIPMENT		
Buildings	152,284	152,284
Furniture and Equipment	<u>134,429</u>	<u>102,182</u>
Total	286,713	254,466
Less: Accumulated Depreciation	<u>(57,272)</u>	<u>(51,134)</u>
Net Depreciable Assets	229,441	203,332
Land	<u>23,000</u>	<u>23,000</u>
Total Property and Equipment	<u>252,441</u>	<u>226,332</u>
TOTAL ASSETS	<u>\$ 314,412</u>	<u>\$ 272,333</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 17,456	\$ 10,121
Accrued Payroll Liabilities	19,490	17,306
Accrued Interest Payable	423	102
Current Portion of Long-term Debt	<u>22,207</u>	<u>17,952</u>
Total Current Liabilities	<u>59,576</u>	<u>45,481</u>
LONG-TERM LIABILITIES		
Notes Payable	<u>138,729</u>	<u>138,315</u>
Total Long-Term Liabilities	<u>138,729</u>	<u>138,315</u>
Total Liabilities	<u>198,305</u>	<u>183,796</u>
SHAREHOLDER'S EQUITY		
Capital Stock	1,000	1,000
Paid-In Capital	4,001	4,001
Retained Earnings	<u>111,106</u>	<u>83,536</u>
Total Shareholder's Equity	<u>116,107</u>	<u>88,537</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>\$ 314,412</u>	<u>\$ 272,333</u>

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

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
REVENUE		
Services	\$ 53,790	\$ 49,980
Federal - Veterans Affairs	120,114	124,105
- Access to Recovery	99,414	30,948
Access to Recovery - NonFederal	<u>258,160</u>	<u>140,340</u>
Total Revenue	<u>531,478</u>	<u>345,373</u>
EXPENSES		
Accounting & Legal	14,420	16,620
Advertising	7,701	176
Auto & Truck	7,573	10,300
Bank Charges	242	163
Credit Card Fees	123	320
Depreciation	15,709	14,025
Donation	1,625	250
Dues & Subscription	729	593
Education & Seminars	149	2,923
Insurance	5,899	3,155
Insurance - Health	13,289	-
Interest	10,149	10,127
License & Permits	1,163	745
Maintenance & Repairs	5,419	1,838
Meals & Entertainment	7,987	4,863
Medical Expense	7,978	3,972
Miscellaneous	2,175	2,343
Office Expense	12,705	5,244
Outside Services	15,644	13,683
Payroll Taxes	28,789	18,375
Postage	964	384
Rent	871	-
Salaries	334,048	216,051
Supplies	3,310	6,874
Taxes - Other	3,793	3,586
Telephone	6,841	5,668
Travel	2,832	2,747
Utilities	4,164	4,591
Total Expenses	<u>516,291</u>	<u>349,616</u>
Income from Operations	<u>15,187</u>	<u>(4,243)</u>
Net Income	<u>\$ 15,187</u>	<u>\$ (4,243)</u>

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

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
 STATEMENTS OF SHAREHOLDER'S EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Capital Stock	Paid-In Capital	Retained Earnings	Total
Balance at January 1, 2008	\$ 1,000	\$ 4,001	\$ 75,997	\$ 80,998
Net Income	-	-	11,782	11,782
Contributions	-	-	(4,243)	(4,243)
Balance at December 31, 2008	<u>1,000</u>	<u>4,001</u>	<u>83,536</u>	<u>88,537</u>
Contributions	-	-	12,383	12,383
Net Income	-	-	15,187	15,187
Balance at December 31, 2009	<u>\$ 1,000</u>	<u>\$ 4,001</u>	<u>\$ 111,106</u>	<u>\$ 116,107</u>

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

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 15,187	\$ (4,243)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	15,709	14,025
Net gain on disposition of property and equipment	-	(8,944)
(Increase) decrease in:		
Accounts Receivable	(1,067)	(14,118)
Due from Related Party	(23,528)	
Increase (decrease) in:		
Accounts Payable	7,335	3,546
Accrued Payroll Liabilities	2,184	(1,581)
Accrued Interest Payable	321	(121)
Net Cash Provided by (Used in) Operating Activities	<u>16,141</u>	<u>(11,436)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of Property and Equipment	18,445	44,722
Purchase of Property and Equipment	<u>(60,263)</u>	-
Net Cash Provided by (Used in) Investing Activities	<u>(41,818)</u>	<u>44,722</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions from Shareholder	12,383	11,782
Increase in Notes Payable	51,936	125,058
Principal Payments on Long-Term Debt	<u>(47,267)</u>	<u>(173,499)</u>
Net Cash Provided by (Used in) Financing Activities	<u>17,052</u>	<u>(36,659)</u>
Net (Decrease) in Cash and Cash Equivalents	(8,625)	(3,373)
Cash and Cash Equivalents at Beginning of Year	<u>11,715</u>	<u>15,088</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,090</u>	<u>\$ 11,715</u>

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

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE A. ORGANIZATION AND NATURE OF ACTIVITIES

Behavioral Medicine and Addictive Disorders, Incorporated ("BMAD") is a for-profit Subchapter S corporation organized under the laws of the State of Louisiana on June 6, 2001. The primary purpose of BMAD is to provide intensive outpatient treatment and therapy for veterans and individuals with substance abuse and alcohol addiction in the Monroe and greater Northeast Louisiana region.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

BMAD uses the modified accrual method of accounting where revenue is recognized in the period earned and expenditures are recorded in the period incurred and to which they pertain in accordance with accounting principles generally accepted in the United States of America.

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. Actual results could differ from those estimates.

Cash and Cash Equivalents

BMAD considers all short-term, highly liquid debt investments purchased with an original maturity of three months or less to be cash equivalents.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss for the S corporation passes through to, and is reportable by, the shareholder individually. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income.

Concentration of Credit Risk

BMAD's financial instruments that are exposed to concentrations of credit risk consist primarily of cash on deposit at financial institutions. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2009 and 2008, BMAD had no uninsured deposits.

**BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009 AND 2008**

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Concentrations of credit risk with respect to receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of December 31, 2009 and 2008, accounts receivable are as follows:

	<u>2009</u>	<u>2008</u>
U.S. Department of Veterans Affairs	10,785	9,760
Louisiana Department of Health & Hospitals	<u>24,568</u>	<u>24,526</u>
	35,353	34,286

Allowance for Doubtful Accounts

No allowance for uncollectible accounts has been provided since it is believed that the balance in accounts receivable is all collectible.

Advertising

Costs of advertising are expensed as incurred. Total advertising costs were \$7,701 and \$176 for the year ending December 31, 2009 and 2008, respectively.

Capitalization and Depreciation

Land, buildings, improvements and equipment are recorded at cost. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of operations. Estimated useful lives used for depreciation purposes are as follows:

Buildings	40 years
Furniture and Equipment	10 years

NOTE C. CONTRACTUAL REVENUE & ECONOMIC DEPENDENCY

BMAD has contracted with the US Department of Veteran Affairs to provide certain counseling services to veterans. Approximately 22% of BMAD's revenue was generated from this contract in 2009. For their services, BMAD received \$120,114 and \$124,105 in 2009 and 2008, respectively.

Since 2006, BMAD was awarded a contract through the Louisiana Department of Health and Hospitals under the United States Department of Health and Human Resources to administer an Access to Recovery voucher program for substance abuse treatment. Approximately 67% of BMAD's revenue was generated from this contract in 2009. For their services, BMAD received \$99,414 and \$30,948 of Federal funds in 2009 and 2008, respectively and \$258,160 and \$140,340 of State funds in 2009 and 2008, respectively.

**BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE D. LAND, BUILDING AND EQUIPMENT

Expenditures for land, building and equipment are capitalized at cost. Property and equipment acquisitions are capitalized in excess of \$1,000. When assets are disposed of, the cost related accumulated depreciation is removed from the accounts, and any gain or loss is recorded in operations.

Depreciation is computed using the straight-line method over the estimated service lives of the assets. A summary of changes in general fixed assets for the years ended December 31, 2009 and 2008 follow:

<u>Assets Class</u>	<u>2009</u>	<u>2008</u>
Land	23,000	23,000
Building & Improvements	152,284	152,284
Furniture and Equipment	<u>134,429</u>	<u>102,182</u>
	286,713	277,466
Less: Accumulated Depreciation	<u>(57,272)</u>	<u>(51,134)</u>
Net Balance	252,441	226,332

Depreciation for 2009 and 2008 totaled \$15,709 and \$14,025, respectively.

NOTE E. FAIR VALUE OF FINANCIAL INSTRUMENTS

BMAD's financial instruments, none of which are held for trading purposes, consist primarily of cash on deposit at financial institutions. BMAD estimates that the fair value of all financial instruments at December 31, 2008 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

NOTE F. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest of \$10,149 and \$10,127 was paid in 2009 and 2008, respectively.

NOTE G. RELATED PARTY TRANSACTIONS

Amounts Due from Related Parties of \$23,528 in 2009 represent advances to Behavioral Medicine Addictions Reentry, Inc., a non-profit Louisiana corporation, for certain operating expenses incurred during the year. Behavioral Medicine and Addictive Disorders, Inc. and Behavioral Medicine Addictions Reentry, Inc. are governed principally by the same person. There is no written evidence of this debt and accordingly, it was unsecured and non-interest bearing.

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE. H. NOTES PAYABLE

Notes payable at December 31, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Mortgage note payable to Ouachita Independent Bank with a 6.75% interest rate secured by real estate. Monthly payments are \$1,323, due in April, 2013, at which time a balloon payment of \$83,180 will be due	\$ 112,355	\$ 120,465
Note Payable to Shell New Orleans Federal Credit Union with a 4.49% interest rate secured by a vehicle. Monthly payments are \$647, due in August, 2012.	19,988	-
Note Payable to Wachovia Dealer Services with a 1.78% interest rate secured by a vehicle. Monthly payments are \$282, due in June, 2014.	14,361	-
Note Payable to Ford Credit with a 9.09% interest rate secured by a vehicle. Monthly payments are \$386, due in July, 2013.	14,232	-
Note Payable to Ford Credit with a 7.99% interest rate secured by a vehicle. Monthly payments are \$735, due in May, 2011.	-	27,330
Note Payable to Chrysler Corporation with a 2.90% interest rate secured by a vehicle. Monthly payments are \$228, due in March, 2012.	-	8,472
Total	<u>\$ 160,936</u>	<u>\$ 156,267</u>
Less: Current Portion of Notes Payable	<u>(22,207)</u>	<u>(17,952)</u>
Total Long-Term Notes Payable	<u>\$ 138,729</u>	<u>\$ 138,315</u>

Principal payments due over the next five years and thereafter are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2010	\$ 22,207
2011	23,512
2012	22,896
2013	90,886
2014	1,435
Thereafter	\$ -

**B&T BOND &
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Shareholder
Behavioral Medicine and Addictive Disorders, Inc.

We have audited the financial statements of Behavioral Medicine and Addictive Disorders, Inc. as of and for the year ended December 31, 2009, and have issued our report thereon dated June 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Behavioral Medicine and Addictive Disorders, Inc.'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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Behavioral Medicine and Addictive Disorders, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the shareholder, management, Louisiana Department of Health and Hospitals, the United States Department of Veterans Affairs, and the Legislative Auditor for the state of Louisiana and is not intended to be and should not be used by anyone other than these specific parties. However, under Louisiana Revised Statute 24:513, this report may be distributed by the Legislative Auditor as a public document.

Bond + Jousignant, LLC

Monroe, Louisiana
June 15, 2010