

**DRUG ABUSE FOUNDATION OF
PALM BEACH COUNTY, INC.
FINANCIAL STATEMENTS
JUNE 30, 2011**

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT.....	1-2
 FINANCIAL STATEMENTS:	
Statement of Financial Position.....	3
Statement of Activities and Changes in Net Assets.....	4-5
Statement of Functional Expenses.....	6-8
Statement of Cash Flows.....	9
Notes to Financial Statements.....	10-17
 SUPPLEMENTARY SCHEDULE:	
Schedule of Expenditures of Federal Awards and State Financial Assistance.....	19-20
 REQUIRED REPORTS:	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	22-23
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	24-25
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.650 RULES OF THE AUDITOR GENERAL.....	26-27

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Board of Directors
Drug Abuse Foundation of Palm Beach County, Inc.
Delray Beach, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Drug Abuse Foundation of Palm Beach County, Inc. (the "Foundation") as of June 30, 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2010 financial statements, and in our report dated November 11, 2010, we expressed an unqualified opinion on those financial statements.

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. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Drug Abuse Foundation of Palm Beach County, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 16, 2011, on our consideration of Drug Abuse Foundation of Palm Beach County, Inc.'s internal control 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 considered in assessing the results of our audit.

Page 2
November 16, 2011

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Drug Abuse Foundation of Palm Beach County, Inc. taken as a whole. The accompanying schedules as listed in the Table of Contents are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Florida Rules of the Auditor General Chapter 10.650, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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November 16, 2011

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

	<u>ASSETS</u>	
	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 70,844	\$ 929,791
Grants and contracts receivable	1,018,518	490,624
Client fees receivable (net of allowance for doubtful accounts of \$223,367)	487,086	510,110
Inventory	9,280	10,393
Prepaid expenses	49,216	82,479
Total current assets	<u>1,634,944</u>	<u>2,023,397</u>
Fixed assets		
Land, building and equipment (Note B)	5,891,418	5,815,124
Accumulated depreciation	(3,250,982)	(3,012,480)
Net fixed assets	<u>2,640,436</u>	<u>2,802,644</u>
Other assets		
Deposits	12,777	12,777
Total other assets	<u>12,777</u>	<u>12,777</u>
TOTAL ASSETS	<u>\$ 4,288,157</u>	<u>\$ 4,838,818</u>

<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 68,002	\$ 213,059
Accrued expenses	230,412	291,526
Mortgage payable, current portion (Note C)	62,048	57,918
Total current liabilities	<u>360,462</u>	<u>562,503</u>
Mortgage payable, long term portion (Note C)	1,802,097	1,867,651
Total liabilities	<u>2,162,559</u>	<u>2,430,154</u>
Net assets, unrestricted	2,125,598	2,408,664
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,288,157</u>	<u>\$ 4,838,818</u>

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

	Unrestricted	Temporarily Restricted	2011	2010
Support and Revenues				
Public support				
Federal and State ADM grants				
Adult substance abuse - District 9	\$ -	\$ 2,401,964	\$ 2,401,964	\$ 2,160,263
Child/adolescent substance abuse - District 9	-	522,813	522,813	730,055
Access to recovery	-	45,421	45,421	-
Palm Beach County	-	757,932	757,932	757,982
Contributions and donations	-	80,766	80,766	371,149
Contributions - in - kind	-	50,000	50,000	100,000
Total public support	<u>-</u>	<u>3,858,896</u>	<u>3,858,896</u>	<u>4,119,449</u>
Other revenues				
Client fees	681,462	-	681,462	812,364
Food Stamps	-	40,254	40,254	60,323
State and local service revenue (Note I)	-	930,079	930,079	2,631,831
Other	6,944	-	6,944	5,542
Investment income	315	-	315	666
Rental income	53,034	-	53,034	53,675
Total other revenues	<u>741,755</u>	<u>970,333</u>	<u>1,712,088</u>	<u>3,564,401</u>
Temporarily restricted net assets				
released from restriction	4,829,229	(4,829,229)	-	-
Total all funding and revenues	<u>5,570,984</u>	<u>-</u>	<u>5,570,984</u>	<u>7,683,850</u>

(continued)

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010
(continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011</u>	<u>2010</u>
Expenses				
Program services				
Assessment services	455,393	-	455,393	328,408
TASC services	230,003	-	230,003	255,822
Intervention services	130,960	-	130,960	167,399
Detox/Medical services	1,154,989	-	1,154,989	1,084,260
Outpatient services	229,891	-	229,891	320,232
Case management	62,016	-	62,016	112,283
Residential level II	1,444,791	-	1,444,791	1,588,827
Residential level IV	663,786	-	663,786	904,582
Prevention	371,995	-	371,995	480,555
Day/night treatment	106,188	-	106,188	571,026
Correction services	145,634	-	145,634	727,360
Outreach	232,665	-	232,665	278,642
Total program services	<u>5,228,311</u>	<u>-</u>	<u>5,228,311</u>	<u>6,819,396</u>
Support services				
Administration	559,868	-	559,868	628,023
Total functional expenses	<u>5,788,179</u>	<u>-</u>	<u>5,788,179</u>	<u>7,447,419</u>
Other				
Expenses of rental income	65,871	-	65,871	65,583
Total other expenses	<u>65,871</u>	<u>-</u>	<u>65,871</u>	<u>65,583</u>
Total expenses	<u>5,854,050</u>	<u>-</u>	<u>5,854,050</u>	<u>7,513,002</u>
Change in net assets	(283,066)	-	(283,066)	170,848
Net assets, beginning of year	2,408,664	-	2,408,664	2,237,816
Net assets, end of year	<u>\$ 2,125,598</u>	<u>\$ -</u>	<u>\$ 2,125,598</u>	<u>\$ 2,408,664</u>

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

PROGRAM SERVICES

	Assessment Services	TASC Services	Intervention Services	Detox/Med Services	Outpatient Services
Salaries	\$ 323,587	\$ 119,150	\$ 68,563	\$ 437,977	\$ 130,380
Payroll taxes and other	31,129	10,830	6,308	41,260	7,139
Employee benefits	29,121	16,018	11,040	41,083	20,574
Total salaries and related expenses	<u>383,837</u>	<u>145,998</u>	<u>85,911</u>	<u>520,320</u>	<u>158,093</u>
Rent	-	17,582	-	-	6,640
Rent in-kind	-	24,747	-	-	9,345
Telephone	3,159	2,208	3,047	3,348	5,454
Office supplies	12	90	120	257	307
Insurance	7,083	8,488	4,939	43,359	11,433
Professional fees	-	-	-	308,131	-
Travel	372	3,124	2,904	4	1,517
Utilities	1,016	7,037	8,237	12,287	11,054
Repairs and maintenance	744	2,951	3,813	7,398	5,026
Data processing	381	2,343	2,950	3,388	2,059
Postage	26	1,052	1,040	29	1,763
Printing and reproduction	-	-	-	-	-
Auto and fuel	60	361	440	440	181
Equipment rental	-	-	-	1	-
Food	-	-	-	19,751	-
Medical supplies	358	-	-	46,516	-
Interest	10,366	8,763	10,954	18,256	4,381
Bad debts	46,978	-	-	160,364	3,844
Other	63	470	604	3,590	5,453
Total direct expense	<u>454,455</u>	<u>225,214</u>	<u>124,959</u>	<u>1,147,439</u>	<u>226,550</u>
Depreciation of building and equipment	<u>2,124</u>	<u>11,907</u>	<u>14,898</u>	<u>16,447</u>	<u>6,900</u>
Total expenses	<u>456,579</u>	<u>237,121</u>	<u>139,857</u>	<u>1,163,886</u>	<u>233,450</u>
Less: expenses of rental income	<u>1,186</u>	<u>7,118</u>	<u>8,897</u>	<u>8,897</u>	<u>3,559</u>
Net functional expenses	<u>\$ 455,393</u>	<u>\$ 230,003</u>	<u>\$ 130,960</u>	<u>\$ 1,154,989</u>	<u>\$ 229,891</u>
Allocation of administration	<u>\$ 13,997</u>	<u>\$ 40,590</u>	<u>\$ 39,191</u>	<u>\$ 79,781</u>	<u>\$ 36,391</u>

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

PROGRAM SERVICES

Case Management	Residential Level II	Residential Level IV	Prevention Services	Day/Night Treatment	Correction Services
\$ 46,275	\$ 627,127	\$ 345,037	\$ 243,658	\$ 73,116	\$ -
4,249	58,215	32,330	22,042	6,490	-
1,753	68,512	36,950	25,846	13,952	-
52,277	753,854	414,317	291,546	93,558	-
-	-	-	1,480	-	-
-	-	-	2,072	-	-
374	10,032	5,378	4,311	493	-
17	3,448	1,127	619	18	-
3,602	51,546	25,815	10,376	1,760	-
-	73,465	7,515	-	-	-
2	29	2,454	45	524	-
1,128	47,826	25,451	22,580	2,164	-
559	35,025	11,299	7,996	755	-
397	7,240	5,193	3,971	914	-
39	334	29	126	10	-
-	-	-	-	-	-
1,254	1,124	681	331	151	-
-	5	3	-	-	-
-	108,629	69,127	-	-	-
-	11,675	1,167	-	-	-
1,460	41,605	25,886	8,033	3,651	-
-	192,507	13,521	-	-	-
89	23,583	5,809	12,748	120	145,634
61,198	1,361,927	614,772	366,234	104,118	145,634
2,004	94,134	53,759	12,285	5,036	-
63,202	1,456,061	668,531	378,519	109,154	145,634
1,186	11,270	4,745	6,524	2,966	-
<u>\$ 62,016</u>	<u>\$ 1,444,791</u>	<u>\$ 663,786</u>	<u>\$ 371,995</u>	<u>\$ 106,188</u>	<u>\$ 145,634</u>
<u>\$ 8,398</u>	<u>\$ 123,171</u>	<u>\$ 78,382</u>	<u>\$ 55,987</u>	<u>\$ 39,191</u>	<u>\$ 5,599</u>

(continued)

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2011
 WITH COMPARATIVE TOTALS FOR 2010
 (continued)

SUPPORT

	Outreach	Total for all Programs	Administration	Total Expenses	
				2011	2010
Salaries	\$ 143,757	\$ 2,558,627	\$ 350,915	\$ 2,909,542	\$ 3,663,964
Payroll taxes and other	13,295	233,287	52,056	285,343	338,175
Employee benefits	7,516	272,365	43,237	315,602	488,856
Total salaries and related expenses	164,568	3,064,279	446,208	3,510,487	4,490,995
Rent	9,821	35,523	-	35,523	42,488
Rent in-kind	13,836	50,000	-	50,000	100,000
Telephone	2,254	40,058	7,351	47,409	55,361
Office supplies	61	6,076	721	6,797	8,873
Insurance	5,400	173,801	15,437	189,238	129,456
Professional fees	-	389,111	30,448	419,559	1,150,330
Travel	-	10,975	185	11,160	16,839
Utilities	4,389	143,169	8,865	152,034	155,459
Repairs and maintenance	1,959	77,525	4,322	81,847	77,459
Data processing	1,056	29,892	6,600	36,492	38,491
Postage	597	5,045	2,137	7,182	7,661
Printing and reproduction	-	-	1,555	1,555	2,671
Auto and fuel	151	5,174	286	5,460	3,931
Equipment rental	-	9	-	9	374
Food	-	197,507	16	197,523	246,090
Medical supplies	-	59,716	-	59,716	91,945
Interest	3,651	137,006	63	137,069	123,430
Bad debts	-	417,214	14,672	431,886	378,204
Other	22,653	220,816	13,786	234,602	101,561
Total direct expense	\$ 230,396	\$ 5,062,896	\$ 552,652	\$ 5,615,548	\$ 7,221,618
Depreciation of building and equipment	5,235	224,729	13,773	238,502	225,801
Total expenses	235,631	5,287,625	566,425	5,854,050	\$ 7,447,419
Less: expenses of rental income	2,966	59,314	6,557	65,871	
Net functional expenses	\$ 232,665	\$ 5,228,311	\$ 559,868	\$ 5,788,179	
Allocation of administration	\$ 39,190	\$ 559,868	\$ (559,868)		

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

	2011	2010
Operating cash flows:		
Cash received from public support and other revenues	\$ 4,580,879	\$ 7,010,551
Cash paid to employees and suppliers	(5,152,517)	(6,677,130)
Net rental income	(12,837)	(11,908)
Investment income	315	666
Interest paid	(137,069)	(141,276)
Income taxes paid	-	(1,858)
Net operating cash flows	(721,229)	179,045
Investing cash flows:		
Purchase of property and equipment	(76,294)	(86,200)
Net investing cash flows	(76,294)	(86,200)
Financing cash flows:		
Payment on mortgage	(61,424)	(57,156)
Net financing cash flows	(61,424)	(57,156)
Net increase (decrease) in cash and cash equivalents	(858,947)	35,689
Cash and cash equivalents - beginning of year	929,791	894,102
Cash and cash equivalents - end of year	\$ 70,844	\$ 929,791

Reconciliation of Change in
Net Assets to Operating Cash Flows

Change in net assets	\$ (283,066)	\$ 170,848
Add: Depreciation expense	238,502	242,417
Bad debts	431,886	378,204
Change in:		
Accounts receivable	(936,756)	(618,958)
Inventory	1,113	80
Prepaid expenses	33,263	(3,793)
Deposits	-	(67)
Accounts payable	(145,057)	8,567
Accrued expenses	(61,114)	3,605
Income taxes payable	-	(1,858)
Net operating cash flow	\$ (721,229)	\$ 179,045

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE A – SUMMARY OF ACCOUNTING POLICIES

Nature of Organization

Drug Abuse Foundation of Palm Beach County, Inc. (the "Foundation") is a not-for-profit organization exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code that operates programs for the purposes of substance abuse prevention and treatment. The Foundation's Prevention/Intervention Day program and the Children's Prevention programs are preventive, while treatment is effected through the Outpatient, Residential Treatment, Intervention, Assessment, Treatment Alternatives to Street Crime ("TASC"), Medical/Psychiatric, and Day/Night programs.

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

Promises to Give

Contributions are recognized as revenue when they are received or unconditionally pledged.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Conditional promises to give are not included as support until such time as the conditions are substantially met.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future period or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support, which increases those net asset accounts.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

If a restriction is fulfilled in the same period in which the contribution is received, the contribution is reported as temporarily restricted, and is released from the restriction in the same period.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of financial position and statement of cash flows, the Foundation considers demand deposits with banks, certificates of deposit, money market funds and all highly liquid debt instruments purchases with a maturity of three months or less to be cash equivalents.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

The Foundation maintains its cash at a financial institution in Palm Beach County. The accounts are fully insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2011, the Foundation had no uninsured deposits.

Investments

Investment in marketable securities with readily determinable fair values and all investments in debt securities are measured at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Client Fees Receivable

Accounts receivable from clients are carried at amounts estimated to be realized by the Foundation based on past experience. The Foundation policy for bad debts is to write off the following items: any balances from accounts that have had no activity in the last twelve months, accounts of clients who no longer have contact addresses and accounts which are known to be in bankruptcy. Since there is normally a six month delay in collection from clients in residential treatment, the Foundation has implemented several new initiatives that better ensure the collectability of client fees. At June 30, 2011 the allowance for doubtful accounts was \$223,367.

Grant and Contract Receivable/Revenue

Grant and contract revenue is recognized when the allowable costs, as defined by the individual grants or contracts, are incurred and the unit of service has been performed. Grant and contracts receivable at year-end represent units of service performed, which have not yet been reimbursed by the granting agency.

Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Foundation with the terms of the grants and contracts.

Inventory

The Foundation purchases office supplies, janitorial supplies, medical testing kits and medical supplies in bulk. The purchases are recorded in inventory at cost and charged to their respective departments, at cost, when removed from the store room. At June 30, 2011, total inventory was \$9,280.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Land, Building and Equipment

Land, building and equipment are carried at cost, including capitalized interest cost incurred during the period of asset construction and/or preparation for use, if donated, at fair value on the date of donation, less allowances for depreciation. The Foundation follows the practice of capitalizing all expenditures for buildings and equipment in excess of \$500; the fair value of donated fixed assets at the time of donation is similarly capitalized. The Foundation follows the policy of providing for depreciation using the straight-line method over the estimated useful lives of each type of asset, which are as follows:

Building	30 years
Building Improvements	5 – 27 years
Furniture and Equipment	2 – 5 years
Vehicles	5 years

Maintenance and repairs are charged to expense when incurred.

Donated Services and Rent

The Foundation receives the services of several teachers from the Palm Beach County School District without charge, and they are utilized in the Prevention/Intervention Day programs. The Prevention/Intervention Day program also receives the use of facilities from the Palm Beach County School Board free of charge. The value of the teachers' salaries and the market value of the rent have been reflected in the financial statements as contributions-in-kind and rent expense in-kind. The Foundation has no rental obligations for these facilities.

Income Taxes

The Foundation is a not-for-profit corporation exempt from Federal income taxes under Internal Revenue Code of 1986 Section 501 (c) (3). Therefore, no income taxes are required to be paid on activities related to their mission. The Foundation holds rental property from which it collects unrelated rental income. Expenses related to the rental property are allocated as such and are not included in the functional expenses. Income taxes are due on net rental income. For the year ended June 30, 2011 the Foundation had no taxable income, and therefore no income tax expense.

The Foundation's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2009, 2010 and 2011 are subject to examination by IRS, generally for three years after they were filed.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Functional Expenses

The grant contract with the Department of Children and Families has reporting requirements, one of which requires the Foundation to include a Schedule of Program/Cost Center Actual Expenses. The Foundation presents its Statement of Functional Expenses in this format, which satisfies this requirement.

Summarized Financial Information for 2010

The financial information for the year ended June 30, 2010, presented for comparative purposes, is not intended to be a complete financial statement presentation. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

NOTE B – LAND, BUILDING, AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2011</u>	<u>2010</u>
Land	\$ 325,000	\$ 325,000
Building	3,969,701	3,969,701
Building improvements	757,210	701,617
Furniture and equipment	770,314	749,613
Vehicles	<u>69,193</u>	<u>69,193</u>
Total	5,891,418	5,815,124
Less: accumulated depreciation	<u>3,250,982</u>	<u>3,012,480</u>
Net	<u>\$ 2,640,436</u>	<u>\$ 2,802,644</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was \$238,502 and \$242,417, respectively. These amounts represent a combination of amounts charged to both functional expenses and expenses of rental income.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE C – MORTGAGE NOTE PAYABLE

Mortgage payable consists of the following at June 30, 2011:

Mortgage note payable to Northern Trust dated February 1, 2007 due on February 1, 2017. Interest rate is 7.12% amortized over 20 years with monthly payments of \$16,535.97 until maturity. The loan is collateralized by real property, assignment of rents, and financing agreements thereon

	\$ 1,864,145
Less: current portion	62,048
	\$ 1,802,097

The aggregate maturities of the mortgage payable subsequent to June 30, 2011 are as follows:

2012	\$ 62,048
2013	72,457
2014	77,787
2015	83,510
2016	89,654
Thereafter	1,478,689
	\$ 1,864,145

The Foundation has an available line of credit with a bank that allows for borrowings up to \$250,000. Interest is payable at Northern Trust Bank's floating prime rate. At June 30, 2011, the interest rate on this note was 3.25%. The amount outstanding on this line of credit was \$0 at June 30, 2011. The line of credit matures on December 16, 2011 and is collateralized by the assets of the Foundation. Interest expense for the year ended June 30, 2011 was \$137,069.

NOTE D – MATCHING REQUIREMENT

The Foundation received a portion of its support from the State of Florida under grant contract No. ID099 with the Department of Children and Families Alcohol, Drug Abuse and Mental Health Program. The contract must be renegotiated annually. Although a maximum amount is established during the negotiation process, income is earned on a reimbursement basis; that is, income can be recognized only to the extent of eligible services incurred.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE D – MATCHING REQUIREMENT (CONTINUED)

Contract ID099 requires a thirty-three percent (33%) local match for certain drug abuse prevention and treatment services. During the fiscal year ended June 30, 2011, the reimbursable services under this contract were as follows:

<u>Reimbursable expenses</u>	
Total expenses	<u>\$ 5,854,050</u>
Total funds requiring match	744,615
Required match	<u>248,205</u>
	<u>992,820</u>
Excess match (liability)	<u>\$ 4,861,230</u>

NOTE E – COMMITMENTS

The Foundation leases an office under a month-to-month operating lease agreement. The Foundation is vacating this office on December 15, 2011 and is moving into a new office on December 1, 2011. The lease for the new office has not yet been executed.

Rent expense for the year ended June 30, 2011 was \$85,523.

NOTE F – EMPLOYEE BENEFITS

In fiscal year 1995, the Foundation established a defined contribution benefit plan for its eligible employees and their beneficiaries under Internal Revenue Code Section 403 (b). All employees are eligible to participate in the plan after completing 1 year of service. The employer will contribute an amount equaling the employee's contribution up to 1.0% of the employee's annual salary for the first eligible year and increasing to a maximum of a 15% contribution on the 20th eligible year. Contributions by the Foundation were \$89,928 for the year ended June 30, 2011.

NOTE G – RELATED PARTY TRANSACTIONS

The Foundation has members of its Board of Directors that are associated with companies that the Foundation uses for legal, insurance, and banking purposes. During the year ended June 30, 2011 the Foundation paid \$340 for legal services and \$160,318 for insurance premiums to companies associated with members of the Board of Directors, in arms-length transactions.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE H – MAJOR FUNDERS

Major funders who have provided greater than 10% of total revenues are as follows:

	June 30,	
	2011	2010
Dept. of Children and Families	\$ 2,924,777	\$ 2,890,318
Sheriff's Dept. of Palm Beach County (Service Contract Only)	675,772	2,415,647

The Foundation receives approximately 75% of its funding from the above funders. A policy change at these agencies will have an adverse effect on operations, as evidenced by the termination of the Sheriff of Palm Beach County's Substance Abuse Awareness Program (SAAP) in December 2010.

NOTE I - STATE AND LOCAL SERVICE REVENUES

The Foundation is reimbursed for fees from state and local agencies for services provided based on individual client participation in the program. These agencies and related service revenues received are summarized as follows:

Palm Beach County Community Justice Sheriff Department	\$ 23,055
Substance Abuse Awareness Program	681,218
Drug Court	85,263
Comprehensive AIDS Program	20,237
VA Medical Center	83,991
Portal Service Revenue	36,315
Total	\$ 930,079

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE J – BED-DAY AVAILABILITY PAYMENTS

The Foundation received a portion of its support from the Federal Government and the State of Florida under grant contract number ID099 with the Department of Children and Families (DCF).

Under the contract, the Foundation must provide the DCF with a schedule of bed-day availability payments.

<u>Costs</u>		<u>Detox</u>
A. Unit Cost	\$	204.94
B. Available Bed Days		5,475
C. Units paid by others		1,895
D. Eligible units (B-C)		3,580
E. Amount paid by DCF	\$	505,948
F. Maximum value of C (AxD)	\$	733,685
 <u>Amount paid by others:</u>		
PBC Community Services	\$	388,520
Unit rate	\$	204.94
Unit equivalent		1,895

NOTE K – EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through November 16, 2011, the date which the financial statements were available to be issued.

SUPPLEMENTARY SCHEDULE

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA CFSA Number	Pass-Thru Grantor's Number	Expenditures (in thousands)
Federal Awards:			
U.S. Department of Health and Human Services Passed through State Government			
Florida Department of Children and Families:			
Alcohol, Drug Abuse and Mental Health Block Grant for Prevention and Treatment of Substance Abuse	93.959	ID099	\$ 1,609
Temporary Assistance for Needy Families	93.558	ID099	98
Block Grant for Prevention and Treatment of Substance Abuse	93.959	IDZ03	73
Total Department of Children and Families			<u>1,780</u>
Total Expenditures of Federal Awards			<u>\$ 1,780</u>
State Financial Assistance:			
Direct Projects			
Department of Children and Families			
Alcohol, Drug Abuse and Mental Health Block Grant for Prevention and Treatment of Substance Abuse			
Substance Abuse Treatment and Aftercare Services for Children	60.030	ID099	\$ 526
Substance Abuse Detoxification Services for Adults	60.031	ID099	234
Substance Abuse Treatment and Aftercare Services for Adults	60.033	ID099	377
Total Department of Children and Families			<u>1,137</u>
Total State Financial Assistance			<u>\$ 1,137</u>

(continued)

See Auditor's Report

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011
(continued)

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the Federal and State grant activity of the Foundation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 69I-5.003, *Florida Administrative Code*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

- 2) Pass-through entity identifying numbers are presented where available.

NOTE 3: SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Foundation did not provide federal awards to any subrecipients.

See Auditor's Report

REQUIRED REPORTS

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Drug Abuse Foundation of Palm Beach County, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the INDEPENDENT AUDITOR'S 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*.
3. No instances of noncompliance material to the financial statements of Drug Abuse Foundation of Palm Beach County, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major Federal award programs and State projects are reported in the INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL.
5. The auditor's report on compliance for the major Federal and State award programs for Drug Abuse Foundation of Palm Beach County, Inc. expresses an unqualified opinion on all major Federal and State programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, are reported in this Schedule.
7. The programs tested as major programs include:

Federal Programs:

Alcohol, Drug Abuse, and Mental Health, CFDA Number 93.959.

State Programs:

Department of Children and Families Substance Abuse Services CSFA Numbers 60.030 and 60.033.
8. The threshold for distinguishing Types A and B programs was \$300,000 for Federal awards, and \$300,000 for State awards.
9. Drug Abuse Foundation of Palm Beach County, Inc. was determined to be a low-risk auditee.

(continued)

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)

FINDINGS – FINANCIAL STATEMENTS AUDIT

None to note.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None to note.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Such schedule is not necessary due to no prior audit findings.

FINDINGS REQUIRED TO BE REPORTED UNDER CHAPTER 10.656(3)(e) OF THE STATE OF FLORIDA RULES OF THE
AUDITOR GENERAL

No items related to State financial assistance required to be reported.

Viniar & Company

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Board of Directors
Drug Abuse Foundation of Palm Beach County, Inc.
Delray Beach, Florida

INDEPENDENT AUDITOR'S 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*

We have audited the financial statements of Drug Abuse Foundation of Palm Beach County, Inc., as of and for the year ended June 30, 2011, and have issued our report thereon dated November 16, 2011. 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 Drug Abuse Foundation of Palm Beach County, 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 Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Drug Abuse Foundation of Palm Beach County, 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 management, Auditor General State of Florida, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Viniar & Company

Viniar & Company
November 16, 2011

Viniar & Company

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Delray Beach, Florida

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

Compliance

We have audited Drug Abuse Foundation of Palm Beach County, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Drug Abuse Foundation of Palm Beach County, Inc.'s major federal programs for the year ended June 30, 2011. Drug Abuse Foundation of Palm Beach County, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Drug Abuse Foundation of Palm Beach County, Inc.'s management. Our responsibility is to express an opinion on Drug Abuse Foundation of Palm Beach County, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, State of Florida Rules of the Auditor General. Those standards and OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Drug Abuse Foundation of Palm Beach County, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Drug Abuse Foundation of Palm Beach County, Inc.'s compliance with those requirements.

In our opinion, Drug Abuse Foundation of Palm Beach County, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Drug Abuse Foundation of Palm Beach County, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program or state financial assistance project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Viniar & Company
November 16, 2011