

**AUDITED COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**THE CENTER FOR DRUG FREE LIVING, INC.  
AND AFFILIATED ENTITIES**

**June 30, 2010**

AUDITED COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

THE CENTER FOR DRUG FREE LIVING, INC.  
AND AFFILIATED ENTITIES

June 30, 2010

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
The Center For Drug Free Living, Inc.  
and Affiliated Entities  
Orlando, Florida

We have audited the accompanying combined statement of financial position of The Center For Drug Free Living, Inc. and its affiliated organizations, T.D. Associates, Inc. and Central Florida Foundation for a Drug-Free Community, Inc., ("Organizations"), as of June 30, 2010, and the related combined statements of activities, functional expenses, and cash flows for the year then ended. These combined financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of June 30, 2010, and the combined changes in their net assets and their 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 our report dated December 9, 2010, on our consideration of the Organizations' internal control over financial reporting and on our tests of their 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 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.

To the Board of Directors  
The Center For Drug Free Living, Inc.  
and Affiliated Entities  
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Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements as a whole. The accompanying combined schedule of expenditures of federal awards and state financial assistance, which is 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 Florida Single Audit Act, and the accompanying schedule of state earnings, schedule of related party transaction adjustments, schedule of bed-day availability payments, and program/cost center actual revenues and expenses schedule, which are also presented for the purpose of additional analysis, are not required parts of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

A handwritten signature in black ink, appearing to read "R.A. [unclear] P.A." with a stylized flourish in the middle.

Orlando, Florida  
December 9, 2010

COMBINED STATEMENT OF FINANCIAL POSITION

THE CENTER FOR DRUG FREE LIVING, INC.  
AND AFFILIATED ENTITIES

June 30, 2010

ASSETS

Current assets

Cash and cash equivalents	\$ 2,239,984
Short-term investments designations -	
For Medicaid reserve	150,000
For other specific reserves	180,863
	<u>330,863</u>
Grants receivable	3,372,634
Accounts receivable	205,834
Unconditional promise to give	99,030
Prepaid expenses	131,563
	<u>6,379,908</u>

Total current assets

Assets limited as to use

Capital Reserve Account investments	280,053
Other investments	3,330,000
	<u>3,610,053</u>

Fixed assets - net of accumulated depreciation 11,692,206

Deposits 47,063

Total assets \$ 21,729,230

LIABILITIES AND NET ASSETS

Current liabilities

Demand note payable to bank	\$ 100
Accounts payable	248,975
Accrued expenses and other liabilities	1,324,792
Deferred revenue	360,733
Liability for estimated Medicaid reserve	150,000
	<u>2,084,600</u>

Total current liabilities

Long-term liabilities

Mortgage notes payable	1,882,707
Capital advances payable	953,759
Unsecured promissory note payable	75,000
	<u>2,911,466</u>

Total liabilities 4,996,066

Net assets

Unrestricted	16,371,333
Temporarily restricted	361,831
	<u>16,733,164</u>

Total net assets

Total liabilities and net assets \$ 21,729,230

See accompanying notes to combined financial statements.

COMBINED STATEMENT OF ACTIVITIES

THE CENTER FOR DRUG FREE LIVING, INC.  
AND AFFILIATED ENTITIES

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
<b>Support and revenue:</b>			
Florida Department of Children and Families - SAMH	\$ 9,209,497	\$ -	\$ 9,209,497
Florida Department of Juvenile Justice	6,177,331	-	6,177,331
Orange County, Florida	5,025,829	-	5,025,829
Third party reimbursements	2,384,034	-	2,384,034
City of Orlando	1,212,350	-	1,212,350
Homeless Services Network of Central Florida, Inc.	753,001	-	753,001
Client fees	748,769	-	748,769
Florida Department of Children and Families - other	480,000	-	480,000
Food stamp revenue	420,666	-	420,666
Other revenue	358,946	-	358,946
Department of Health and Human Services	339,515	-	339,515
U.S. Department of Agriculture	252,383	-	252,383
Donations	249,612	2,500	252,112
United Way	74,829	99,030	173,859
University of Miami	162,514	-	162,514
In-kind support	143,112	-	143,112
Department of Veterans Affairs	118,817	-	118,817
Fundraising (net of related costs of \$24,546)	66,471	-	66,471
Osceola County Drug Court	51,094	-	51,094
Orange County School Board	40,651	-	40,651
Investments	34,861	-	34,861
Florida Department of Education	6,389	-	6,389
Loss on disposal of property	(63,662)	-	(63,662)
Net assets released from time and/or purpose restrictions	151,099	(151,099)	-
	<u>28,398,108</u>	<u>(49,569)</u>	<u>28,348,539</u>
<b>Expenses:</b>			
<b>Program services:</b>			
Residential Level II	10,426,440	-	10,426,440
Medical Services	158,487	-	158,487
Residential Level III	300,440	-	300,440
Residential Level IV	245,456	-	245,456
Prevention	2,865,339	-	2,865,339
Intervention	1,542,540	-	1,542,540
Marchman Detox	2,609,432	-	2,609,432
Outpatient	2,013,780	-	2,013,780
Assessment	73,220	-	73,220
Aftercare	38,282	-	38,282
Outreach	393,539	-	393,539
Crisis Support / Emergency	328,452	-	328,452
Incidental Expenses	211	-	211
InHome-OnSite	73,413	-	73,413
Day Care	12,424	-	12,424
Methadone Maintenance	452,184	-	452,184
Non SAMH Services	1,775,909	-	1,775,909
	<u>23,309,548</u>	<u>-</u>	<u>23,309,548</u>
<b>Supporting services:</b>			
Other support	1,450,107	-	1,450,107
Administrative	3,197,702	-	3,197,702
	<u>4,647,809</u>	<u>-</u>	<u>4,647,809</u>
Total expenses	<u>27,957,357</u>	<u>-</u>	<u>27,957,357</u>
Change in net assets	440,751	(49,569)	391,182
Net assets at beginning of year	<u>15,930,582</u>	<u>411,400</u>	<u>16,341,982</u>
Net assets at end of year	<u>\$ 16,371,333</u>	<u>\$ 361,831</u>	<u>\$ 16,733,164</u>

See accompanying notes to combined financial statements.

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

THE CENTER FOR DRUG FREE LIVING, INC.  
AND AFFILIATED ENTITIES

Year Ended June 30, 2010

	Program			
	Residential Level II	Medical Services	Residential Level III	Residential Level IV
Direct expenses:				
Personnel expenses:				
Salaries	\$ 5,988,394	\$ 97,931	\$ 167,334	\$ 74,812
Fringe benefits	1,447,483	9,200	31,648	21,841
Total personnel expenses	<u>7,435,877</u>	<u>107,131</u>	<u>198,982</u>	<u>96,653</u>
Operating expenses:				
Building occupancy	994,914	2,632	68,039	63,907
Professional services	302,870	45,432	300	-
Travel	45,238	274	449	75
Equipment costs	208,471	458	5,542	3,179
Food service	462,370	-	-	64,591
Medical and pharmacy	104,578	-	2,765	2,422
Subcontracted services	-	-	-	-
Insurance	155,632	1,488	14,175	8,523
Operating supplies and expenses	573,378	1,072	10,188	6,106
Donated items	143,112	-	-	-
Total operating expenses	<u>2,990,563</u>	<u>51,356</u>	<u>101,458</u>	<u>148,803</u>
Total direct expenses	10,426,440	158,487	300,440	245,456
Indirect expenses:				
Administrative	1,297,068	19,242	36,880	30,425
Other support	671,388	8,397	18,147	14,999
Total indirect expenses	<u>1,968,456</u>	<u>27,639</u>	<u>55,027</u>	<u>45,424</u>
Total expenses	<u>\$ 12,394,896</u>	<u>\$ 186,126</u>	<u>\$ 355,467</u>	<u>\$ 290,880</u>

See accompanying notes to combined financial statements.

Services

Prevention	Intervention	Marchman Detox	Outpatient	Assessment	Aftercare	Outreach
\$ 1,976,742	\$ 688,602	\$ 1,610,741	\$ 1,222,556	\$ 40,278	\$ 25,529	\$ 111,964
479,452	169,012	316,795	297,504	9,480	6,624	22,587
2,456,194	857,614	1,927,536	1,520,060	49,758	32,153	134,551
86,457	41,190	157,228	172,979	14,001	4,628	149,184
17,695	2,000	89,252	50,736	-	-	-
37,562	28,528	4,646	23,698	48	96	765
33,737	9,856	17,151	30,736	2,439	196	207
25,180	55	196,429	4,228	-	-	91,922
1,272	63,854	74,723	27,387	902	88	-
-	-	-	478	-	-	12,500
30,281	8,102	11,591	18,622	345	307	1,841
176,961	531,341	130,876	164,856	5,727	814	2,569
-	-	-	-	-	-	-
409,145	684,926	681,896	493,720	23,462	6,129	258,988
2,865,339	1,542,540	2,609,432	2,013,780	73,220	38,282	393,539
354,820	189,979	321,577	249,930	9,234	4,743	42,108
183,574	94,776	159,793	130,190	4,900	2,481	1,131
538,394	284,755	481,370	380,120	14,134	7,224	43,239
\$ 3,403,733	\$ 1,827,295	\$ 3,090,802	\$ 2,393,900	\$ 87,354	\$ 45,506	\$ 436,778

Continued on next page

COMBINED STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

THE CENTER FOR DRUG FREE LIVING, INC.  
AND AFFILIATED ENTITIES

Year Ended June 30, 2010

	Program				
	Crisis Support/ Emergency	Incidental Expenses	InHome - OnSite	Day Care	Methadone Maintenance
Direct expenses:					
Personnel expenses:					
Salaries	\$ 253,165	\$ -	\$ 52,264	\$ 4,802	\$ 275,697
Fringe benefits	73,430	-	13,562	1,809	47,762
Total personnel expenses	326,595	-	65,826	6,611	323,459
Operating expenses:					
Building occupancy	-	-	3,442	4,970	34,330
Professional services	-	-	-	-	5,890
Travel	-	-	1,457	-	2,649
Equipment costs	-	-	528	-	19,221
Food service	-	-	-	-	914
Medical and pharmacy	-	-	-	-	40,920
Subcontracted services	-	-	-	-	-
Insurance	1,119	-	362	-	2,290
Operating supplies and expenses	738	211	1,798	843	22,511
Donated items	-	-	-	-	-
Total operating expenses	1,857	211	7,587	5,813	128,725
Total direct expenses	328,452	211	73,413	12,424	452,184
Indirect expenses:					
Administrative	40,905	23	9,260	2,720	55,792
Other support	22,123	-	4,959	1,402	27,507
Total indirect expenses	63,028	23	14,219	4,122	83,299
Total expenses	\$ 391,480	\$ 234	\$ 87,632	\$ 16,546	\$ 535,483

Services		Supporting Services			Grand Total
Non SAMH Services	Total	Other Support	Administrative	Total	
\$ 824,908	\$ 13,415,719	\$ 373,857	\$ 1,777,421	\$ 2,151,278	\$ 15,566,997
190,846	3,139,035	90,426	265,271	355,697	3,494,732
1,015,754	16,554,754	464,283	2,042,692	2,506,975	19,061,729
138,720	1,936,621	120,261	226,202	346,463	2,283,084
8,743	522,918	149,555	378,436	527,991	1,050,909
19,773	165,258	8,513	16,349	24,862	190,120
132,550	464,271	94,674	123,508	218,182	682,453
233,608	1,079,297	110	18,066	18,176	1,097,473
49,969	368,880	187	-	187	369,067
140,158	153,136	-	-	-	153,136
24,359	279,037	49,127	135,010	184,137	463,174
12,275	1,642,264	563,397	257,439	820,836	2,463,100
-	143,112	-	-	-	143,112
760,155	6,754,794	985,824	1,155,010	2,140,834	8,895,628
1,775,909	23,309,548	1,450,107	3,197,702	4,647,809	27,957,357
230,181	2,894,887	-	(2,894,887)	(2,894,887)	-
104,340	1,450,107	(1,450,107)	-	(1,450,107)	-
334,521	4,344,994	(1,450,107)	(2,894,887)	(4,344,994)	-
\$ 2,110,430	\$ 27,654,542	\$ -	\$ 302,815	\$ 302,815	\$ 27,957,357

## COMBINED STATEMENT OF CASH FLOWS

### THE CENTER FOR DRUG FREE LIVING, INC. AND AFFILIATED ENTITIES

Year Ended June 30, 2010

#### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 391,182
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	724,281
Loss on disposal of fixed assets	63,662
Change in operating assets:	
Decrease in other specific reserves	10,617
(Increase) in receivables	(1,227,621)
Decrease in unconditional promise to give	51,868
Decrease in prepaid expenses	6,737
(Increase) in deposits	(4,590)
Change in operating liabilities:	
(Decrease) in accounts payable, accrued expenses and other liabilities	(55,030)
Increase in deferred revenue	108,831
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>69,937</u>

#### CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of fixed assets	(2,328,987)
Net increase in investments	(175)
Proceeds from sale of fixed assets	3,057
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(2,326,105)</u>

#### CASH FLOWS FROM FINANCING ACTIVITIES:

Increase in capital advances received	864,100
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>864,100</u>

NET (DECREASE) IN CASH AND CASH EQUIVALENTS (1,392,068)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 3,632,052

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 2,239,984

Note: a noncash transaction occurred when fixed assets in the amount of \$590,000 were acquired with long-term liabilities.

See accompanying notes to combined financial statements.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### THE CENTER FOR DRUG FREE LIVING, INC. AND AFFILIATED ENTITIES

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Reporting Entities

The accompanying financial statements include the accounts of The Center For Drug Free Living, Inc., T.D. Associates, Inc., and Central Florida Foundation for a Drug-Free Community, Inc., (“Organizations”), on a combined basis. All significant accounts and transactions between the entities have been eliminated in combination.

As a non-stock, not-for-profit corporate entity in the Central Florida area, The Center For Drug Free Living, Inc., (“Center”), operates comprehensive substance abuse rehabilitation and prevention programs and related research programs. T.D. Associates, Inc. is a non-stock, not-for-profit corporate entity in the Central Florida area that was formed primarily for the purpose of acquiring property and leasing to, and generally supporting the Center. Central Florida Foundation for a Drug-Free Community, Inc. was formed to promote and advance the interests of the Center by engaging in grants acquisition and other fundraising activities on behalf of the Center. Operations of the entities are directed by separate voluntary boards who receive no compensation for their services.

##### Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its FASB *Accounting Standards Codification* (“ASC”) 958, *Not-For-Profit Entities* (formerly Statement of Financial Accounting Standards No. 117). Under ASC 958, the Organizations are required to report information regarding their financial position and activities according to three classes of net assets as follows:

Unrestricted net assets - net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met by actions of the Organizations and/or the passage of time. Temporarily restricted net assets at June 30, 2010 are composed of \$262,801 available to fund designated programs in the near future, and \$99,030 in United Way funding which will be released in the next fiscal year.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations. There were no permanently restricted net assets as of June 30, 2010.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

##### Promise to Give

Contributions are recognized when the donor makes a promise to give to the Organizations that is, in substance, unconditional. The promise to give at June 30, 2010 is expected to be collected during the year ended June 30, 2011.

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

THE CENTER FOR DRUG FREE LIVING, INC.  
AND AFFILIATED ENTITIES

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION -  
CONTINUED

Assets Limited as to Use

The assets limited as to use investments balance at June 30, 2010 (\$3,610,053) is carried at fair value and is invested primarily in debt securities (see Note E).

Contributions

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

The Organizations report contributions as restricted support if they are received with donor stipulations that limit the use of the contribution. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Donated services that create or enhance nonfinancial assets, or require specialized skills, and which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, and donated rent (see Note B), are recorded at their fair value in the period provided.

Estimates

The preparation of financial statements 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Receivables

Receivables are stated at the amount management expects to realize from outstanding balances. Management provides such amounts through adjustments based upon their assessment of the current status (i.e. terms) of individual receivables from grants and contracts. Accordingly, management considers all receivables to be collectible; therefore, there is no allowance for doubtful accounts at June 30, 2010.

Other

Fund raising is primarily conducted through the Foundation. Management estimates total fundraising costs for the year were \$244,109.

The functional allocation of expenses not directly attributable to a specific function is allocated to each function based upon the percentage of the total direct expenses of each function to the total of all direct expenses. Functional expenses are allocated between programs on the basis of specific identification, where possible, and management's best estimates.

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

THE CENTER FOR DRUG FREE LIVING, INC.  
AND AFFILIATED ENTITIES

NOTE B – DONATED RENT

Donated rent (valued at \$143,112), which is necessary to support a certain program, is recorded in the financial statements as unrestricted support with a like amount included as expense. Such support and expense is valued at the estimated fair value of the donation at the date of receipt.

NOTE C – PROPERTY/DEPRECIATION

Fixed assets, having a useful life in excess of a year, are stated at cost, if purchased, or at fair value at the date of receipt, if acquired by gift. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method and using estimated lives ranging from 3-40 years.

Costs (or fair value when donated) of the various categories of fixed assets are as follows:

Land and land improvements	\$ 3,029,760
Building and building improvements	9,932,691
Furniture, equipment and vehicles	2,187,483
Construction in progress - Note N	<u>1,640,542</u>
	16,790,476
Less accumulated depreciation	<u>(5,098,270)</u>
	<u>\$ 11,692,206</u>

NOTE D – IMPAIRMENT OF LONG-LIVED ASSETS

The Organizations review their property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the year ended June 30, 2010.

NOTE E – INVESTMENTS

The Organizations' investments are included in money market accounts and certificates of deposit, and debt securities maintained by investment custodians.

Such investments are stated at fair value and consist of the following at June 30, 2010:

	<u>Cost</u>	<u>Fair Value</u>
Money market accounts	\$ 80,005	\$ 80,005
Certificates of deposit	1,320,048	1,320,048
Debt securities	<u>2,210,000</u>	<u>2,210,000</u>
	<u>\$ 3,610,053</u>	<u>\$ 3,610,053</u>

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

THE CENTER FOR DRUG FREE LIVING, INC.  
AND AFFILIATED ENTITIES

NOTE E – INVESTMENTS - CONTINUED

Fair value reporting establishes a framework for measuring fair value, and expands disclosure about fair value. Investments, which are recorded at fair value in the statement of financial position, are categorized based upon the level of judgment associated with the inputs used to measure fair value, while cash and cash equivalents are reported at cost which approximates fair value because of the short maturity of those financial instruments. The Organizations measure the value of their investments at Level I.

Level inputs, as defined by fair value measurements, are as follows:

Level Input	Input Definition
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Income in the amount of \$34,861 from investments, cash and cash equivalents, and cash and short-term investments designations, was derived from interest and dividends. There was no unrealized gain or loss on investments for the year ended June 30, 2010.

The Center's investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment account balance.

NOTE F – LEASES/RELATED PARTY TRANSACTIONS

The Center has constructed a building being used as an adult residential facility for clients. The facility is located on land being leased by the Center from Orange County, Florida, at a nominal cost of \$10 per annum (see Note B). The purpose of the lease is to provide program space for the functions of the Center; accordingly, the Center is responsible for all maintenance, repairs, and upkeep of the leased premises. The current land lease term is for a period of 20 years from April 1, 2002.

In addition, the Center leases facilities and equipment under various operating leases (with renewal options) with lease terms that expire at various dates through January 15, 2015. The above referenced leases of the Center required monthly cash payments of \$124,404 (\$67,549 to T.D. Associates, Inc.) at June 30, 2010.

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

THE CENTER FOR DRUG FREE LIVING, INC.  
AND AFFILIATED ENTITIES

NOTE F – LEASES/RELATED PARTY TRANSACTIONS – CONTINUED

The Organizations' minimum rental commitments under the above referenced operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amounts Due</u>
2011	\$ 493,872
2012	134,971
2013	86,565
2014	79,864
2015	79,864
	<u>\$ 875,136</u>

The Organizations' total rent expense for the year ended June 30, 2010 was \$551,892.

NOTE G – CONTINGENCIES

By terms of the Center's grants, certain funding agencies reserve the right to examine records relating to cost reimbursements. In the event there is a determination of non-qualifying expenditures for which a reimbursement has been made, the funding agency may demand a refund for the appropriate amount. Management of the Center does not anticipate any material refunds will have to be made for grants terminated or in process as of June 30, 2010.

The Center also has a potential liability to reimburse funding agencies for property charged against certain grants as a reimbursable expenditure. The measurable value of the potential liability is not readily determinable. However, in management's opinion, the probability of a reimbursement request of significance is considered unlikely. During the year ended June 30, 2010, \$6,389 of such reimbursed expenditures were incurred and charged to operations as grant expenditures. Approximately \$624,092 (at cost) of such property charged to grants to date is currently used in the Center's operations.

The Center's third party reimbursements revenue consists primarily of Medicaid fees for services rendered to eligible clients not to exceed a maximum established amount. The Center's records as regards the performance of these services are subject to review and audit. Accordingly, management has established a provision for estimated payment adjustments that may be due to the Medicaid program predicated upon the historical experience of the audits of such activity to date and management's evaluation and analysis of the unaudited Medicaid activity as of June 30, 2010.

The Center is self-insured for state unemployment compensation costs and recognizes and pays such costs, if, and when incurred.

In the normal course of the Center's ongoing operations, the Center is periodically involved in various legal and regulatory matters. Related thereto, as of June 30, 2010, there was no pending or threatened litigation, claims, or assessments concerning such matters.

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

### THE CENTER FOR DRUG FREE LIVING, INC. AND AFFILIATED ENTITIES

#### NOTE H – STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, the Organizations consider all monies in banks and highly liquid investments with maturity dates of three months or less at the date of purchase to be cash equivalents. Cash designated by the Board for potential Medicaid payment adjustments and cash and short-term investments being held as various reserves, and as investments (see Note E), are not reflected as cash and cash equivalents for the purpose of the statement of cash flows.

#### NOTE I – RETIREMENT PLAN

The retirement plan covers all full time employees with one year of service. The contributions to the retirement plan are at the sole discretion of the Board of Directors. With the contributions, the Center makes annuity purchase payments for each employee in an amount determined at a rate equal to a fixed percentage of each participating employee's salary. The total retirement plan contribution (i.e. expense) for the year ended June 30, 2010 was \$435,925, which is net of forfeitures.

#### NOTE J – LINE OF CREDIT

The Center has entered into a working capital line-of-credit with a bank which is due on demand, bears interest at the prime rate (3.25% at July 1, 2010) plus one percent, and is collateralized by the Center's receivables - \$1,000,000 is available as of June 30, 2010.

#### NOTE K – INCOME TAXES

For income tax purposes, the Organizations are exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code and the laws of the State of Florida, and they maintain nonprivate foundation status in accordance with the Internal Revenue Code.

However, the Organizations are required to file income tax returns (Form 990-T) and pay income taxes on any unrelated business income (none recently). Accordingly, there are no open federal or state tax years under audit.

The Organizations have not recognized any respective liability for unrecognized tax benefits as they have no known tax positions that would subject the Organizations to any material income tax exposure. The tax years that remain subject to examination are the years beginning July 1, 2006 for all major tax jurisdictions.

#### NOTE L – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organizations to concentrations of credit risk consist principally of cash and cash equivalents, investments (see Note E), and various unsecured receivables (to include the promise to give).

The Organizations place their cash and cash equivalents balances in federally insured financial institutions (FDIC), while investments are maintained in accounts (see Note E) with FDIC insurance and separate SIPC insurance. However, the Organizations are exposed to loss to the extent that such account balances exceed such insurance limits.

Generally, concentrations of credit risk with respect to unsecured receivables are limited as the receivables are primarily receivables from governmental agencies; other receivables are primarily due from individuals and organizations located in Central Florida.

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

THE CENTER FOR DRUG FREE LIVING, INC.  
AND AFFILIATED ENTITIES

NOTE M – MORTGAGES AND SECURITY AGREEMENTS

The Center has entered into mortgage and security agreements (6) with the City of Orlando ("City") for United States Department of Housing and Urban Development ("HUD") monies used for the purchase and rehabilitation of certain residential properties (6). As a condition of the use of these HUD funds, the Center, under HUD's Housing Opportunities for Persons With Aids program (known as HOPWA), entered into a declaration of restricted covenant for each property with the City, which generally is as follows:

For the period of ten (10) years from the date of issuance of a certificate of occupancy for the property after any renovation is complete, the property shall only be used as a housing facility to serve the needs of low-income persons (as defined by HUD) with AIDS and their families. If the property is not used for a housing facility for low-income persons with AIDS as agreed for the ten (10) year period, the Center must reimburse the City any HOPWA funds provided to the Center by the City, for the purchase and renovation of the property. Accordingly, any sale or transfer of the property must have the approval of the City for compliance with these terms.

This covenant shall be binding on all parties until expiration of the ten year period as discussed therein.

Related to the above referenced agreements, the Center has entered into promissory notes (6), each secured by a Mortgage and Security Agreement with the City, which requires one principal installment due on expiration of the ten year period referenced above. However, upon the Center's compliance with the covenants and conditions of the various agreements referenced above the City shall execute and record a release of the mortgage. Accordingly, five promissory notes were originally entered into during the year ended June 30, 2006 and one promissory note was originally entered into during the year ended June 30, 2008.

In addition, in July 2009, the Center entered into a first mortgage payable due to Seminole County, Florida on the purchase of property (see Note O); a summary of the mortgage notes payable at June 30, 2010 is as follows:

<u>Due to</u>	<u>Amount</u>
City of Orlando	\$ 1,367,707
Seminole County, Florida	<u>515,000</u>
	<u>\$ 1,882,707</u>

NOTE N – CAPITAL ADVANCES

During the year ended June 30, 2009, the Center entered into a capital grant agreement under the Department of Veterans Affairs ("VA") Homeless Providers Grant and Per Diem Program to assist in the new construction of a building in Orange County, Florida to create transitional housing that will provide 32 beds for homeless veterans. The current total anticipated cost of the project is approximately \$1,785,000 (construction in progress balance of \$1,583,000 at June 30, 2010 - see Note C) of which the VA non-interest bearing capital advance is currently limited to 56% or approximately \$998,000 (capital advance balance of \$953,759 at June 30, 2010). The capital advance is subject to a recovery provision on a pro-rata basis which requires certain continued involvement in the program on the part of the Center for a period lasting ten years, at which time no repayment will be required. The Center anticipates long-term involvement in the program.

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

### THE CENTER FOR DRUG FREE LIVING, INC. AND AFFILIATED ENTITIES

#### NOTE N – CAPITAL ADVANCES – CONTINUED

In October 2009, the Center entered into a capital grant agreement under the VA's Homeless Providers Grant and Per Diem Program to assist in the new construction of a building at 3905 Grissom Parkway, Cocoa, Florida to create transitional housing that will provide 28 beds for homeless women veterans and their children and the acquisition of a van to provide transportation of homeless veterans. The current total anticipated cost of the project is approximately \$1,844,000 (construction in progress balance of \$56,066 at June 30, 2010 - see Note C) of which the VA non-interest bearing capital advance is currently limited to approximately \$1,078,000 or approximately 58% of the project (no capital advance balance at June 30, 2010). The capital advance is subject to a recovery provision on a pro-rata basis which requires certain continued involvement in the program on the part of the Center for a period lasting ten years, at which time no repayment will be required. The Center anticipates long-term involvement in the program.

#### NOTE O – AGREEMENT ASSIGNMENT

In early July 2009, the Center entered into a second amendment to an ongoing "Agreement" by and among Seminole County, Florida, Heart to Heart: A Community Care Home, Inc. ("Heart") and the Center, whereby the Center assumed an assignment of Heart's duties and responsibilities (subrecipient responsibilities related to an Affordable Housing Program, that is, a program making affordable housing available to citizens of Seminole County, Florida, limited to recovering women of low and very low income and their legally dependent children) under the Agreement; related thereto, Seminole County approved the Center as the party to whom the County can expect full performance of the subsequent requirements under the Agreement.

Related to the assignment, the Center closed with Heart on the purchase of property (primarily land and buildings) at a total cost of \$765,000 which involved a cash payment of \$100,000 to Heart, an assumed \$515,000 first mortgage payable due to Seminole County (see following) and a \$150,000 non-interest bearing promissory note to Heart (two principal payments of \$75,000 each; \$75,000 paid in the year ended June 30, 2010, and a remaining \$75,000 payment due in July 2011). Accordingly, the Center entered into a separate agreement with Seminole County and Heart, in which the parties agreed to allow the Center to assume the mortgage payable to Seminole County, which is secured by the purchased property, as the best means to assure continued full utilization of the property. The unpaid principal amount of the assumed mortgage payable is to be reduced to zero on October 31, 2026 provided that the Center has met all the terms and conditions regarding use and occupancy of the property for the remainder of the required original twenty-year period. The Center anticipates meeting these terms and conditions.

#### NOTE P – SUBSEQUENT EVENTS

Subsequent events were evaluated through the date the combined financial statements were available to be issued. The combined financial statements were approved and authorized for use by management on December 9, 2010.

**SUPPLEMENTAL INFORMATION**

COMBINED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE

THE CENTER FOR DRUG FREE LIVING, INC.  
AND AFFILIATED ENTITIES

Year Ended June 30, 2010

Federal/State Agency, Pass-through Entity Federal Programs/State Projects	CFDA CSFA Number	Contract/Grant Number	Expenditures
<u>Federal Awards</u>			
Department of Health and Human Services:			
Direct Programs			
Substance Abuse and Mental Health Services -			
Central Florida Change Program for Transition Age Youth	93.243	1H79TI020781-01	\$ 170,971
Brevard Program Project 321	93.243	1H79TI01783-03	168,544
		Subtotal	339,515
Indirect Programs			
Passed through Florida Department of Children and Families -			
Substance Abuse and Mental Health Services Program	93.959	GDK02	5,072,890
Temporary Assistance for Needy Families (TANF)	93.558	GDK02	16,233
			5,089,123
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GDZ03	90,000
	93.959	GDZ04	90,000
			180,000
Substance Abuse and Mental Health Services - Brite Services	93.959	LD816	49,867
	93.243	LD816	250,133
			300,000
			5,569,123
Passed through Grand Avenue Economic Community Development Corp. -			
Project Pathlight Home	93.243	1HM795MO59094-01	38,690
Passed through Orange County, Florida -			
Substance Abuse and Mental Health Services - Orange County Drug Court	93.243	Y9-2078	228,640
Health and Support Services for Persons with HIV Spectrum Disease			
	93.914	Y7-154B	135,971
			364,611
Passed through Homeless Services Network of Central Florida, Inc. -			
Substance Abuse and Mental Health Services - Project HOPE	93.243	1593213827A1	304,444

COMBINED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE - CONTINUED

THE CENTER FOR DRUG FREE LIVING, INC.  
AND AFFILIATED ENTITIES

Year Ended June 30, 2010

Federal/State Agency, Pass-through Entity Federal Programs/State Projects	CFDA CSFA Number	Contract/Grant Number	Expenditures
<u>Federal Awards - continued</u>			
Passed through University of Miami - The Florida Node of the Clinical Trials Network on Drug Abuse	93.279	CTN-0032	42,168
Community Treatment Programs Infrastructure Budget	93.279	CTN-0037	20,599
HIV Platform Study	93.279	CTN-0045T	22,175
Web Delivery of Evidenced-Based, Psychosocial Treatment for Substance Use Disorders	93.279	CTN-0044	77,572
			<u>162,514</u>
		Subtotal	<u>6,439,382</u>
Total Department of Health and Human Services			<u>\$ 6,778,897</u>
Department of Veterans Affairs:			
Direct Program			
VA Homeless Providers Grant and Per Diem Program	64.024	Capital Advance - 08-818-FL	\$ 864,100
VA Homeless Providers Grant and Per Diem Program	64.024	08-85-FL	<u>118,817</u>
Total Department of Veterans Affairs			<u>\$ 982,917</u>
Department of Housing and Urban Development:			
Indirect Programs			
Passed through City of Orlando -			
Housing Opportunities for Persons with Aids (HOPWA) Grants	14.241	1260008	\$ 245,099
	14.241	1260009	<u>752,844</u>
			997,943
Nueva Vida Program	14.218	G1-071029G01	<u>94,677</u>
			1,092,620
Passed through Orange County, Florida - The Community Development Block Grant Program	14.218	CDBG	37,633
Passed through Homeless Services Network of Central Florida, Inc. -			
Alleviating Needs and Empowering Women	14.235	FL29B707010	88,123
Supportive Housing Program	14.235	FL29B507010	<u>360,434</u>
			<u>448,557</u>
Total Department of Housing and Urban Development			<u>\$ 1,578,810</u>

COMBINED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE - CONTINUED

THE CENTER FOR DRUG FREE LIVING, INC.  
AND AFFILIATED ENTITIES

Year Ended June 30, 2010

Federal/State Agency, Pass-through Entity Federal Programs/State Projects	CFDA CSFA Number	Contract/Grant Number	Expenditures
<u>Federal Awards - continued</u>			
U.S. Department of Agriculture:			
Indirect Program			
Passed through Florida Department of Education - National School Lunch Program	10.555	01-0343	\$ 252,383
Total U.S. Department of Agriculture			<u>\$ 252,383</u>
U.S. Department of Justice			
Indirect Programs			
Passed through Orange County, Florida - Drug Court Discretionary Grant Program	16.585	Y10-2053	\$ 18,629
Family Drug Court Implementation	16.585	Y8-2081	75,783
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program - Adult Drug Court Expansion Grant	16.803	Y10-2068	138,261
Adult Drug Court Substance Abuse Treatment and Case Management Program	16.541	Y8-102-LC	570,276
			<u>802,949</u>
Total U.S. Department of Justice			<u>\$ 802,949</u>
Department of Education			
Indirect Program			
Passed through the Florida Department of Education - Recovery Act - 2009-2010 State Appropriated Equipment Assistance, School Food Authorities	84.397	48D-5920S-0CZE1	\$ 6,389
Total Department of Education			<u>\$ 6,389</u>
Total Expenditures of Federal Awards			<u>\$ 10,402,345</u>
<u>State Financial Assistance</u>			
Florida Department of Children and Families:			
Direct Projects			
Substance Abuse Prevention Services for Children	60.029	GDK02	\$ 264,099
Substance Abuse Treatment and Aftercare Services for Children	60.030	GDK02	1,113,683

COMBINED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE - CONTINUED

THE CENTER FOR DRUG FREE LIVING, INC.  
AND AFFILIATED ENTITIES

Year Ended June 30, 2010

Federal/State Agency, Pass-through Entity Federal Programs/State Projects	CFDA CSFA Number	Contract/Grant Number	Expenditures
<u>State Financial Assistance - continued</u>			
Substance Abuse Detoxification Services for Adults	60.031	GDK02	1,091,966
Substance Abuse Treatment and Aftercare Services for Adults	60.033	GDK02	425,626
Adult Substance Abuse - Special Projects - Treatment and Aftercare	60.101	GDK02	1,225,000
			4,120,374
Indirect Project Passed through Orange County, Florida - CRC Phase II B, Permanent Housing and Continuing Care	60.115	Y8-2087	465,345
Total Florida Department of Children and Families			\$ 4,585,719
Total Expenditures of State Financial Assistance			\$ 4,585,719
<u>Other State Funding</u>			
Florida Department of Children and Families - state matching funds for federal awards received	*	GDK02	\$ 84,239

\* Represents state matching funds for federal awards - see Note 3.

Note 1 - The accompanying schedule of expenditures of federal awards and state financial assistance is prepared on the accrual basis of accounting.

Note 2 - 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 10.650, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note 3 - The state matching funds received for the year are reflected with and tested with the federal program to which the match funds applied.

See Independent Auditors' Report on Supplemental Information.

SCHEDULE OF STATE EARNINGS

THE CENTER FOR DRUG FREE LIVING, INC.

Year Ended June 30, 2010

Total expenditures for The Center for Drug Free Living, Inc.	\$ 27,957,356
Less other state and federal funds received	(12,192,401)
Less non-match SAMH funds received	(4,821,541)
Less unallowable costs per 65E-14, FAC	<u>(259,814)</u>
Total allowable expenditures	<u>\$ 10,683,600</u>
Maximum available earnings (75% of total allowable expenditures)	\$ 8,012,700
Less amount of state funds received requiring match	<u>(4,320,664)</u>
Excess match	<u>\$ 3,692,036</u>

See Independent Auditors' Report on Supplemental Information.

SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS

THE CENTER FOR DRUG FREE LIVING, INC.

Year ended June 30, 2010

	Allocation of Related Party Transactions Adjustment										Total	
	State-Designated Cost Centers											
	Intervention	Outpatient Treatment	Marchman Detox	Medical Services	Methodone Maintenance	Residential Level II	Residential Level IV	Prevention	Assessment	Daycare		InHome OnSite
Revenues from grantee												
Rent	\$ 18,190	\$ 45,098	\$ 74,271	\$ 2,104	\$ 25,059	\$ 536,586	\$ 21,381	\$ 26,875	\$ 11,197	\$ 15,919	\$ 1,934	\$ 778,614
Expenses associated with grantee transactions												
Depreciation	6,235	15,458	25,458	721	8,589	183,927	7,329	9,212	3,838	5,457	663	266,887
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Other	965	2,392	3,940	112	1,329	28,464	1,134	1,426	594	844	103	41,303
Total associated expenses	7,200	17,850	29,398	833	9,918	212,391	8,463	10,638	4,432	6,301	766	308,190
Related party transaction adjustment	\$ 10,990	\$ 27,248	\$ 44,873	\$ 1,271	\$ 15,141	\$ 324,195	\$ 12,918	\$ 16,237	\$ 6,765	\$ 9,618	\$ 1,168	\$ 470,424

See Independent Auditors' Report on Supplemental Information.

SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS

THE CENTER FOR DRUG FREE LIVING, INC.

Year Ended June 30, 2010

Program A	Cost Center B	State Contracted Rate C	Total Units of Service Provided D	Total Units of Service Paid for by 3rd Party Contracts, Local Govt. or Other State Agencies E	Maximum # of Units Eligible for Payment by Department (D-E) F	Amount Paid for Services by the Department G	Maximum \$ Value of Units in Column F (F x C) H	Amount Owed to Department (G-H or \$0, whichever is greater) I
Adult SA	Substance Abuse Detox	\$224.43	14,600.00	2,475.90	12,124.10	\$2,646,785.00	\$2,721,011.76	\$0.00
								\$0.00

See Independent Auditors' Report on Supplemental Information.

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES  
PROGRAM / COST CENTER ACTUAL REVENUES AND EXPENSES SCHEDULE

Agency: THE CENTER FOR DRUG FREE LIVING, INC.

Contract # GDK-02

**PART I: ACTUAL FUNDING SOURCES AND REVENUES**

PERIOD FROM: 7/1/2009 TO: 6/30/2010

FUNDING SOURCES AND REVENUES	STATE-DESIGNATED				
	STATE SAMH-FUNDED				
	Residential Level II	Medical Services	Residential Level III	Residential Level IV	Prevention
IA. STATE SAMH FUNDING	\$ 3,135,883	\$ 216,507	\$ 190,406	\$ -	\$1,680,009
IB. OTHER GOVERNMENT FUNDING					
Other state funding	6,071,492	-	-	-	478,162
Medicaid	1,857,653	-	-	-	-
Local government	803,986	-	-	290,496	1,149,844
Federal grants and contracts	763,316	-	-	-	-
In kind (local government only)	143,112	-	-	-	-
TOTAL OTHER GOVERNMENT FUNDING	9,639,559	-	-	290,496	1,628,006
IC. ALL OTHER FUNDING AND REVENUES					
First and third party fees	211,444	3,269	9,888	4,855	-
Contributions and donations	13,538	-	-	-	322,388
Other	23,232	-	-	-	-
TOTAL ALL OTHER FUNDING AND REVENUES	248,214	3,269	9,888	4,855	322,388
TOTAL FUNDING	\$ 13,023,656	\$ 219,776	\$ 200,294	\$ 295,351	\$ 3,630,403

See Independent Auditors' Report on Supplemental Information.

**SAMH COST CENTERS**

**COST CENTERS**

Intervention	Marchman Detox	Outpatient	Assessment	Aftercare	Outreach	Crisis Support/ Emergency	Incidental Expenses	InHome OnSite
\$ 710,796	\$2,646,785	\$ 557,137	\$ 49,568	\$ 6,754	\$ 15,140	\$ -	\$ 512	\$ -
-	-	7,500	-	-	-	-	-	150,000
-	-	78,767	58	-	-	-	-	-
-	389,548	1,079,297	-	-	-	320,879	-	-
770,233	-	550,746	-	-	360,434	-	-	-
-	-	-	-	-	-	-	-	-
770,233	389,548	1,716,310	58	-	360,434	320,879	-	150,000
58,879	164,613	284,519	22,510	5,935	3,812	-	-	-
12,253	-	-	-	-	-	-	-	-
180	17	19	-	-	-	-	-	-
71,312	164,630	284,538	22,510	5,935	3,812	-	-	-
<b>\$ 1,552,341</b>	<b>\$ 3,200,963</b>	<b>\$ 2,557,985</b>	<b>\$ 72,136</b>	<b>\$ 12,689</b>	<b>\$ 379,386</b>	<b>\$ 320,879</b>	<b>\$ 512</b>	<b>\$ 150,000</b>

Continued on next page

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES  
PROGRAM / COST CENTER ACTUAL REVENUES AND EXPENSES SCHEDULE - CONTINUED

Agency: THE CENTER FOR DRUG FREE LIVING, INC.

Contract # GDK-02

**PART I: ACTUAL FUNDING SOURCES AND REVENUES**

PERIOD FROM: 7/1/2009 TO: 6/30/2010

FUNDING SOURCES AND REVENUES	STATE-DESIGNATED SAMH COST CENTERS				
	Total for State SAMH-Funded Cost Centers	Daycare	Methadone	Total for Non-State-Funded SAMH Cost Centers	Total for All State-Designated SAMH Cost Centers
IA. STATE SAMH FUNDING	\$ 9,209,497	\$ -	\$ -	\$ -	\$ 9,209,497
IB. OTHER GOVERNMENT FUNDING					
Other state funding	6,707,154	-	-	-	6,707,154
Medicaid	1,936,478	-	251,865	251,865	2,188,343
Local government	4,034,050	-	156,052	156,052	4,190,102
Federal grants and contracts	2,444,729	-	-	-	2,444,729
In kind (local government only)	143,112	-	-	-	143,112
TOTAL OTHER GOVERNMENT FUNDING	15,265,523	-	407,917	407,917	15,673,440
IC. ALL OTHER FUNDING AND REVENUES					
First and third party fees	769,724	-	150,257	150,257	919,981
Contributions and donations	348,179	-	-	-	348,179
Other	23,448	-	-	-	23,448
TOTAL ALL OTHER FUNDING AND REVENUES	1,141,351	-	150,257	150,257	1,291,608
TOTAL FUNDING	\$ 25,616,371	\$ -	\$ 558,174	\$ 558,174	\$ 26,174,545

See Independent Auditors' Report on Supplemental Information.

Non-SAMH Cost Center	Total Funding
\$ -	\$ 9,209,497
-	6,707,154
-	2,188,343
1,007,507	5,197,609
852,176	3,296,905
-	143,112
<hr/>	<hr/>
1,859,683	17,533,123
24,478	944,459
164,910	513,089
98,700	122,148
<hr/>	<hr/>
288,088	1,579,696
<hr/>	<hr/>
<u>\$ 2,147,771</u>	<u>\$ 28,322,316</u>

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES  
PROGRAM / COST CENTER ACTUAL REVENUES AND EXPENSES SCHEDULE

Agency: THE CENTER FOR DRUG FREE LIVING, INC.

Contract # GDK-02

**PART II: ACTUAL EXPENSES**

PERIOD FROM: 7/1/2009 TO: 6/30/2010

EXPENSE CATEGORIES	STATE - DESIGNATED				
	STATE SAMH - FUNDED				
	Residential Level II	Medical Services	Residential Level III	Residential Level IV	Prevention
<b>IIA. PERSONNEL EXPENSES</b>					
Salaries	\$ 5,988,394	\$ 97,931	\$ 167,334	\$ 74,812	\$ 1,976,742
Fringe benefits	1,447,483	9,200	31,648	21,841	479,452
<b>TOTAL PERSONNEL EXPENSES</b>	<b>7,435,877</b>	<b>107,131</b>	<b>198,982</b>	<b>96,653</b>	<b>2,456,194</b>
<b>IIB. OTHER EXPENSES</b>					
Building occupancy	994,914	2,632	68,039	63,907	86,457
Professional services	302,870	45,432	300	-	17,695
Travel	45,238	274	449	75	37,562
Equipment	208,471	458	5,542	3,179	33,737
Food services	462,370	-	-	64,591	25,180
Medical and pharmacy	104,578	-	2,765	2,422	1,272
Subcontracted services	-	-	-	-	-
Insurance	155,632	1,488	14,175	8,523	30,281
Operating supplies and expenses	573,378	1,072	10,188	6,106	176,961
Donated items	143,112	-	-	-	-
<b>TOTAL OTHER EXPENSES</b>	<b>2,990,563</b>	<b>51,356</b>	<b>101,458</b>	<b>148,803</b>	<b>409,145</b>
<b>TOTAL PERSONNEL AND OTHER EXPENSES</b>	<b>10,426,440</b>	<b>158,487</b>	<b>300,440</b>	<b>245,456</b>	<b>2,865,339</b>
<b>IIC. DISTRIBUTED INDIRECT COSTS</b>					
Administrative	1,325,591	19,242	36,880	31,559	356,246
Other support	671,388	8,397	18,147	14,999	183,574
<b>TOTAL DISTRIBUTED INDIRECT COSTS</b>	<b>1,996,979</b>	<b>27,639</b>	<b>55,027</b>	<b>46,558</b>	<b>539,820</b>
<b>TOTAL ACTUAL OPERATING EXPENSES</b>	<b>12,423,419</b>	<b>186,126</b>	<b>355,467</b>	<b>292,014</b>	<b>3,405,159</b>
<b>IID. UNALLOWABLE COSTS</b>	-	-	-	-	-
<b>TOTAL ALLOWABLE OPERATING EXPENSES</b>	<b>\$ 12,423,419</b>	<b>\$ 186,126</b>	<b>\$ 355,467</b>	<b>\$ 292,014</b>	<b>\$ 3,405,159</b>

See Independent Auditors' Report on Supplemental Information.

**SAMH COST CENTERS**  
**COST CENTERS**

Intervention	Marchman Detox	Outpatient	Assessment	Aftercare	Outreach	Crisis Support/ Emergency	Incidental Expenses	InHome OnSite
\$ 688,602	\$ 1,610,741	\$ 1,222,556	\$ 40,278	\$ 25,529	\$ 111,964	\$ 253,165	\$ -	\$ 52,264
169,012	316,795	297,504	9,480	6,624	22,587	73,430	-	13,562
857,614	1,927,536	1,520,060	49,758	32,153	134,551	326,595	-	65,826
41,190	157,228	172,979	14,001	4,628	149,184	-	-	3,442
2,000	89,252	50,736	-	-	-	-	-	-
28,528	4,646	23,698	48	96	765	-	-	1,457
9,856	17,151	30,736	2,439	196	207	-	-	528
55	196,429	4,228	-	-	91,922	-	-	-
63,854	74,723	27,387	902	88	-	-	-	-
-	-	478	-	-	12,500	-	-	-
8,102	11,591	18,622	345	307	1,841	1,119	-	362
531,341	130,876	164,856	5,727	814	2,569	738	211	1,798
-	-	-	-	-	-	-	-	-
684,926	681,896	493,720	23,462	6,129	258,988	1,857	211	7,587
1,542,540	2,609,432	2,013,780	73,220	38,282	393,539	328,452	211	73,413
190,944	325,517	252,322	9,828	4,743	42,108	40,905	23	9,260
94,776	159,793	130,190	4,900	2,481	1,131	22,123	-	4,959
285,720	485,310	382,512	14,728	7,224	43,239	63,028	23	14,219
1,828,260	3,094,742	2,396,292	87,948	45,506	436,778	391,480	234	87,632
-	-	-	-	-	-	-	-	-
<b>\$ 1,828,260</b>	<b>\$ 3,094,742</b>	<b>\$ 2,396,292</b>	<b>\$ 87,948</b>	<b>\$ 45,506</b>	<b>\$ 436,778</b>	<b>\$ 391,480</b>	<b>\$ 234</b>	<b>\$ 87,632</b>

Continued on next page

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES  
PROGRAM / COST CENTER ACTUAL REVENUES AND EXPENSES SCHEDULE - CONTINUED

Agency: THE CENTER FOR DRUG FREE LIVING, INC.

Contract # GDK-02

**PART II: ACTUAL EXPENSES**

PERIOD FROM: 7/1/2009 TO: 6/30/2010

EXPENSE CATEGORIES	Total for State SAMH-Funded Cost Centers	Daycare	Methadone	Total for Non-State-Funded SAMH Cost Centers	Total for All State-Designated SAMH Cost Centers
<b>IIA. PERSONNEL EXPENSES</b>					
Salaries	\$ 12,310,312	\$ 4,802	\$ 275,697	\$ 280,499	\$ 12,590,811
Fringe benefits	2,898,618	1,809	47,762	49,571	2,948,189
<b>TOTAL PERSONNEL EXPENSES</b>	<b>15,208,930</b>	<b>6,611</b>	<b>323,459</b>	<b>330,070</b>	<b>15,539,000</b>
<b>IIB. OTHER EXPENSES</b>					
Building occupancy	1,758,601	4,970	34,330	39,300	1,797,901
Professional services	508,285	-	5,890	5,890	514,175
Travel	142,836	-	2,649	2,649	145,485
Equipment	312,500	-	19,221	19,221	331,721
Food services	844,775	-	914	914	845,689
Medical and pharmacy	277,991	-	40,920	40,920	318,911
Subcontracted services	12,978	-	-	-	12,978
Insurance	252,388	-	2,290	2,290	254,678
Operating supplies and expenses	1,606,635	843	22,511	23,354	1,629,989
Donated items	143,112	-	-	-	143,112
<b>TOTAL OTHER EXPENSES</b>	<b>5,860,101</b>	<b>5,813</b>	<b>128,725</b>	<b>134,538</b>	<b>5,994,639</b>
<b>TOTAL PERSONNEL AND OTHER EXPENSES</b>	<b>21,069,031</b>	<b>12,424</b>	<b>452,184</b>	<b>464,608</b>	<b>21,533,639</b>
<b>IIC. DISTRIBUTED INDIRECT COSTS</b>					
Administrative	2,645,168	2,720	70,663	73,383	2,718,551
Other support	1,316,858	1,402	27,507	28,909	1,345,767
<b>TOTAL DISTRIBUTED INDIRECT COSTS</b>	<b>3,962,026</b>	<b>4,122</b>	<b>98,170</b>	<b>102,292</b>	<b>4,064,318</b>
<b>TOTAL ACTUAL OPERATING EXPENSES</b>	<b>25,031,057</b>	<b>16,546</b>	<b>550,354</b>	<b>566,900</b>	<b>25,597,957</b>
<b>IID. UNALLOWABLE COSTS</b>					
	-	-	-	-	-
<b>TOTAL ALLOWABLE OPERATING EXPENSES</b>	<b>\$ 25,031,057</b>	<b>\$ 16,546</b>	<b>\$ 550,354</b>	<b>\$ 566,900</b>	<b>\$ 25,597,957</b>

See Independent Auditors' Report on Supplemental Information.

Non-SAMH Cost Center	Other Support Costs	Administration	Total Expenses
\$ 824,908	\$ 373,857	\$ 1,777,421	\$ 15,566,997
190,846	90,426	265,271	3,494,732
<u>1,015,754</u>	<u>464,283</u>	<u>2,042,692</u>	<u>19,061,729</u>
138,720	120,261	226,202	2,283,084
8,743	149,555	378,436	1,050,909
19,773	8,513	16,349	190,120
132,550	94,674	123,508	682,453
233,608	110	18,066	1,097,473
49,969	187	-	369,067
140,158	-	-	153,136
24,359	49,127	135,010	463,174
12,275	563,397	257,439	2,463,100
-	-	-	143,112
<u>760,155</u>	<u>985,824</u>	<u>1,155,010</u>	<u>8,895,628</u>
1,775,909	1,450,107	3,197,702	27,957,357
219,336	-	(2,937,887)	-
104,340	(1,450,107)	-	-
<u>323,676</u>	<u>(1,450,107)</u>	<u>(2,937,887)</u>	<u>-</u>
2,099,585	-	259,815	27,957,357
-	-	259,815	259,815
<u>\$ 2,099,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,697,542</u>

**R.A. SIMASEK, P.A.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
601 NORTH FERNCREEK AVENUE, SUITE 110  
ORLANDO, FLORIDA 32803  
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INDEPENDENT AUDITORS' 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

Board of Directors  
The Center For Drug Free Living, Inc.  
and Affiliated Entities  
Orlando, Florida

We have audited the combined financial statements of The Center For Drug Free Living, Inc. and its affiliated entities, T.D. Associates, Inc. and Central Florida Foundation for a Drug-Free Community, Inc., ("Organizations"), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 9, 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 the Organizations' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organizations' 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 Organizations' combined 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.

Board of Directors  
The Center For Drug Free Living, Inc.  
and Affiliated Entities  
Orlando, Florida

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organizations' combined financial statements are free of material misstatement, we performed tests of the Organizations' 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, the Organizations' Board of Directors, others within the Organizations, 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.

A handwritten signature in black ink, appearing to read "R.A. Stephens". The signature is stylized and somewhat cursive.

Orlando, Florida  
December 9, 2010

**R.A. SIMASEK, P.A.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
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INDEPENDENT AUDITORS' 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

Board of Directors  
The Center For Drug Free Living, Inc.  
and Affiliated Entities  
Orlando, Florida

**Compliance**

We have audited The Center For Drug Free Living, Inc.'s and its affiliated entities, T.D. Associates, Inc. and Central Florida Foundation for a Drug-Free Community, Inc. ("Organizations") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the State of Florida Department of Financial Services State Projects Compliance Supplement, that could have a direct and material effect on each of the Organizations' major federal programs and state projects for the year ended June 30, 2010. The Organizations' major federal programs and state projects are identified in the summary of auditors' 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 and state projects is the responsibility of the Organizations' management. Our responsibility is to express an opinion on the Organizations' 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, Rules of the Auditor General. Those standards, 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 or state project occurred. An audit includes examining, on a test basis, evidence about the Organizations' 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 of the Organizations' compliance with those requirements.

In our opinion, The Center For Drug Free Living, Inc. and its affiliated entities, T.D. Associates, Inc. and Central Florida Foundation for a Drug-Free Community, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the Organizations' major federal programs and state projects for the year ended June 30, 2010.

Board of Directors  
The Center For Drug Free Living, Inc.  
and Affiliated Entities  
Orlando, Florida

### Internal Control Over Compliance

Management of the Organizations is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Organizations' internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state 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 the Organizations' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organizations' 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 Organizations' Board of Directors, others within the Organizations, 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.



Orlando, Florida  
December 9, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL PROGRAMS AND STATE PROJECTS

THE CENTER FOR DRUG FREE LIVING, INC.  
AND AFFILIATED ENTITIES

Year Ended June 30, 2010

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the combined basic financial statements of The Center For Drug Free Living, Inc. and its affiliated entities, T.D. Associates, Inc. and Central Florida Foundation for a Drug-Free Community, Inc.
2. No significant deficiencies in internal control relating to the audit of the combined financial statements are reported in the Independent Auditors' 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 combined financial statements of The Center For Drug Free Living, Inc. and its affiliated entities, T.D. Associates, Inc. and Central Florida Foundation for a Drug-Free Community, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over the major federal programs and state projects relating to the audit of the major federal programs and state projects are reported in the Independent Auditors' 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 auditors' report on compliance with requirements applicable to the major federal programs and state projects for The Center For Drug Free Living, Inc. and its affiliated entities, T.D. Associates, Inc. and Central Florida Foundation for a Drug-Free Community, Inc. expresses an unqualified opinion on all of the major federal programs and state projects.
6. Audit findings required to be reported relative to the major federal programs and state projects for The Center For Drug Free Living, Inc. and its affiliated entities, T.D. Associates, Inc. and Central Florida Foundation for a Drug-Free Community, Inc. are reported in Parts C and D of this schedule.
7. Those tested as major federal program/state projects for the year ended June 30, 2010 included:

<u>Federal Programs</u>	<u>Federal CFDA Number</u>
Department of Health and Human Services: Block Grants for Prevention and Treatment of Substance Abuse	93.959
Department of Education: State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397
Department of Veterans Affairs: VA Homeless Providers Grant and Per Diem Program	64.024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
 FEDERAL PROGRAMS AND STATE PROJECTS – CONTINUED

THE CENTER FOR DRUG FREE LIVING, INC.  
 AND AFFILIATED ENTITIES

Year Ended June 30, 2010

A. SUMMARY OF AUDITORS' RESULTS – CONTINUED

<u>Federal Programs - continued</u>	<u>Federal CFDA Number</u>
Department of Justice:	
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803
Developing, Testing and Demonstrating Promising New Programs	16.541
<u>State Projects</u>	<u>State CSFA Number</u>
Florida Department of Children and Families:	
Substance Abuse Prevention Services for Children	60.029
Substance Abuse Treatment and Aftercare Services for Children	60.030
Substance Abuse Detoxification Services for Adults	60.031
Substance Abuse Treatment and Aftercare Services for Adults	60.033
Adult Substance Abuse-Special Projects-Treatment and Aftercare	60.101
Public Safety, Mental Health, and Substance Abuse Local Matching Grant	60.115

8. The threshold used for distinguishing between Type A and B programs was \$312,070 for major federal programs and \$300,000 for major state projects; American Recovery and Reinvestment Act (ARRA) programs are considered "higher risk" and accordingly, are treated as Type A programs.
9. The Center For Drug Free Living, Inc., T.D. Associates, Inc. and Central Florida Foundation for a Drug-Free Community, Inc., combined, qualified as a low-risk auditee pursuant to OMB Circular A-133 for the year ended June 30, 2010.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT – None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS – None

D. FINDINGS AND QUESTIONED COSTS – MAJOR STATE PROJECTS – None

E. OTHER ISSUES

1. No management letter is required because there were no findings required to be reported.
2. No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs or state projects.
3. No corrective action plan is required because there were no findings required to be reported under the Federal or Florida Single Audit Acts.