

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

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INDEPENDENT AUDITOR'S REPORT

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

DALE L. CAVIN, C.P.A.

DONNA F. ROGERS, C.P.A.

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chemical Addictions Recovery Effort, Inc.
4000 East 3rd Street
Panama City, Florida 32404

We have audited the accompanying statements of financial position of Chemical Addictions Recovery Effort, Inc. (a Florida not for profit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 Organization's June 30, 2009, financial statements and, in our report dated October 1, 2009, 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 Chemical Addictions Recovery Effort, Inc. as of June 30, 2010, 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 October 12, 2010, on our consideration of Chemical Addictions Recovery Effort, Inc.'s internal control over financial reporting and on 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Chemical Addictions Recovery Effort, Inc. taken as a whole. The accompanying Supplemental Schedules required by State ADM Contract Provisions as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Projects 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 Chapter 10.650, Rules of the Auditor General, State of Florida, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Grimsley, Cavin & Company
Certified Public Accountants

October 12, 2010

FINANCIAL STATEMENTS

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2009

	OPERATING	D. U. I. SCHOOL	OTHER PROGRAMS	2010 TOTAL	2009 TOTAL FOR COMPARISON ONLY
<u>ASSETS</u>					
Cash	\$ 1,453,787	\$ 142,305	\$ 5,698	\$1,601,790	\$ 1,575,696
Accounts Receivable	722,951	1,816	-	724,767	700,735
Prepaid Expenses	9,166	98	6	9,270	26,287
Property & Equipment (Net)	2,266,327	7,231	863	2,274,421	2,330,966
Unamortized Loan Costs	10,556	-	-	10,556	13,890
	-----	-----	-----	-----	-----
Total Assets	\$ 4,462,787	\$ 151,450	\$ 6,567	\$4,620,804	\$ 4,647,574
	=====	=====	=====	=====	=====
<u>LIABILITIES</u>					
Accounts Payable & Accrued Expenses	\$ 33,008	\$ 3,831	\$ 112	\$ 36,951	\$ 25,527
Accrued Vacation	201,096	13,609	10	214,715	212,450
Long Term Debt	1,163,853	-	-	1,163,853	1,228,392
	-----	-----	-----	-----	-----
Total Liabilities	1,397,957	17,440	122	1,415,519	1,466,369
	-----	-----	-----	-----	-----
<u>DEFERRED REVENUE</u>	-	15,084	-	15,084	15,084
	-----	-----	-----	-----	-----
<u>TOTAL LIABILITIES AND DEFERRED REVENUE</u>	1,397,957	32,524	122	1,430,603	1,481,453
	-----	-----	-----	-----	-----
<u>UNRESTRICTED NET ASSETS</u>	3,064,830	118,926	6,445	3,190,201	3,166,121
	-----	-----	-----	-----	-----
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 4,462,787	\$ 151,450	\$ 6,567	\$4,620,804	\$ 4,647,574
	=====	=====	=====	=====	=====

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

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2009

	OPERATING	D.U.I. SCHOOL	OTHER PROGRAMS	2010 TOTAL	2009 TOTAL FOR COMPARISON ONLY
<u>UNRESTRICTED NET ASSETS</u>					
Support					
State of Florida	\$ 3,300,076	\$ -	\$ -	\$3,300,076	\$ 3,404,594
In-Kind	107,124	-	-	107,124	117,970
Program Fees	572,258	-	-	572,258	650,608
School Registration Fees	-	269,039	2,378	271,417	279,112
Supervision Fees	-	27,934	-	27,934	24,833
Food Stamps	36,867	-	-	36,867	31,605
Other Contract Services	220,149	-	-	220,149	213,235
Miscellaneous	23,138	29,109	-	52,247	51,217
TOTAL UNRESTRICTED SUPPORT	4,259,612	326,082	2,378	4,588,072	4,773,174
Expenses					
Program Services					
Detox	940,821	-	-	940,821	932,200
Outpatient	879,015	-	-	879,015	968,805
Prevention	220,934	-	-	220,934	137,984
Intervention	170,791	-	-	170,791	169,423
Room & Board Supervision	309,645	-	-	309,645	292,713
Residential	691,556	-	-	691,556	652,515
Prevention/Intervention-Day	159,166	-	-	159,166	148,774
Outreach	66,518	-	-	66,518	72,506
Aftercare	3,941	-	-	3,941	3,769
Incidental Expenses	21,393	-	-	21,393	32,116
State Prevention Grant	-	-	-	-	156,216
D.U.I. School	-	237,178	-	237,178	235,988
D.U.I. Supervision	-	39,535	-	39,535	39,225
D.A.T.E. Program	-	-	193	193	4,337
Traffic School	-	-	-	-	-
TOTAL	3,463,780	276,713	193	3,740,686	3,846,571
ADMINISTRATION & GENERAL	815,906	7,400	-	823,306	808,720
TOTAL EXPENSES	4,279,686	284,113	193	4,563,992	4,655,291
Internal Accounts					
Internal Rent	(48,000)	48,000	-	-	-
INCREASE IN UNRESTRICTED NET ASSETS	27,926	(6,031)	2,185	24,080	117,883
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>3,036,904</u>	<u>124,957</u>	<u>4,260</u>	<u>3,166,121</u>	<u>3,048,238</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 3,064,830</u>	<u>\$ 118,926</u>	<u>\$ 6,445</u>	<u>\$3,190,201</u>	<u>\$ 3,166,121</u>

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

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2009

PROGRAM SERVICES

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	DETOX	OUTPATIENT/ OUTPATIENT GROUP	PREVENTION	INTERVENTION	ROOM AND BOARD SUPERVISION	RESIDENTIAL	PREVENTION/ INTERVENTION DAY	OUTREACH	AFTERCARE	INCIDENTAL EXPENSES	DUI SCHOOL	DUI SUPERVISION
Personnel Services												
Employee Leasing Costs	\$ 649,815	\$ 620,151	\$ 188,410	\$ 137,899	\$ 193,224	\$ 433,702	\$ 137,530	\$ 48,054	\$ 3,941	\$ -	\$152,255	\$ 32,079
Fringe Benefits	30,430	28,949	9,800	6,146	8,681	18,363	6,915	2,261	-	-	7,501	715
Total Personnel Services	680,245	649,100	198,210	144,045	201,905	452,065	144,445	50,315	3,941	-	159,756	32,794
Operating Expenses												
Building Occupancy	44,683	56,375	1,489	9,317	20,580	47,091	35	3,876	-	-	21,127	2,349
Professional Services	48,551	17,605	47	1,111	3,850	6,848	168	1,244	-	-	8,215	913
Travel	324	10,347	11,938	7,486	49	148	1,271	533	-	-	701	166
Equipment Costs	13,749	6,826	1,814	387	17,932	27,077	757	511	-	-	7,423	825
Food Services	36,821	-	-	-	17,312	35,104	-	-	-	-	-	-
Medical and Pharmacy	25,279	54,197	60	3,623	309	1,016	36	4,536	-	-	817	91
Insurance	14,027	21,223	1,001	1,001	14,969	28,681	6,008	1,610	-	-	4,506	501
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Operating Supplies and Expenses	47,225	40,243	4,654	3,809	10,094	25,636	4,827	2,590	-	21,393	26,675	1,330
Depreciation	16,918	4,498	1,721	12	4,520	13,514	1,619	280	-	-	2,075	121
Amortization	-	-	-	-	-	-	-	-	-	-	-	-
Bad Debts	-	-	-	-	-	-	-	-	-	-	5,883	445
Donated Items (In Kind)	12,999	18,601	-	-	18,125	54,376	-	1,023	-	-	-	-
Total Operating Expenses	260,576	229,915	22,724	26,746	107,740	239,491	14,721	16,203	-	21,393	77,422	6,741
Total Expenses Before Additional Items	940,821	879,015	220,934	170,791	309,645	691,556	159,166	66,518	3,941	21,393	237,178	39,535
Indirect Cost Cash Transfer	-	-	-	-	-	-	-	-	-	-	6,700	700
Internal Rent Charges	-	-	-	-	-	-	-	-	-	-	43,200	4,800
Total Expenses	\$ 940,821	\$ 879,015	\$ 220,934	\$ 170,791	\$ 309,645	\$ 691,556	\$ 159,166	\$ 66,518	\$ 3,941	\$ 21,393	\$287,078	\$ 45,035

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

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2009

PROGRAM SERVICES

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	DATE PROGRAM	TRAFFIC SCHOOL	TOTAL	ADMINISTRATIVE AND GENERAL	2010 TOTAL	2009 TOTAL FOR COMPARISON ONLY
Personnel Services						
Employee Leasing Costs	\$ -	\$ -	\$2,597,060	\$ 555,230	\$3,152,290	\$3,294,305
Fringe Benefits	-	-	119,761	20,619	140,380	68,511
Total Personnel Services	-	-	2,716,821	575,849	3,292,670	3,362,816
Operating Expenses						
Building Occupancy	-	-	206,922	7,901	214,823	202,715
Professional Services	-	-	88,552	48,726	137,278	125,805
Travel	1	-	32,964	2,606	35,570	42,103
Equipment Costs	-	-	77,301	25,179	102,480	94,319
Food Services	-	-	89,237	-	89,237	93,236
Medical and Pharmacy	-	-	89,964	46	90,010	91,014
Insurance	-	-	93,527	13,098	106,625	109,152
Interest	-	-	-	66,990	66,990	84,810
Operating Supplies and Expenses	60	-	188,536	40,654	229,190	233,026
Depreciation	132	-	45,410	38,323	83,733	85,082
Amortization	-	-	-	3,334	3,334	3,289
Bad Debts	-	-	6,328	-	6,328	9,954
Donated Items (In Kind)	-	-	105,124	600	105,724	117,970
Total Operating Expenses	193	-	1,023,865	247,457	1,271,322	1,292,475
Total Expenses Before Additional Items	193	-	3,740,686	823,306	4,563,992	4,655,291
Indirect Cost Cash Transfers	-	-	7,400	(7,400)	-	-
Internal Rent Charges	-	-	48,000	(48,000)	-	-
Total Expenses	\$ 193	\$ -	\$3,796,086	\$ 767,906	\$4,563,992	\$4,655,291

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

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
STATEMENTS OF CASH FLOW
JUNE 30, 2010
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2009

	OPERATING	D.U.I. SCHOOL	OTHER PROGRAMS	2010 TOTAL	2009 TOTAL FOR COMPARISON ONLY
<u>CASH PROVIDED (USED) BY OPERATIONS</u>					
Increase (Decrease) in					
Net Assets	\$ 27,926	\$ (6,031)	\$ 2,185	\$ 24,080	\$ 117,883
Items not Requiring Cash:					
Depreciation	81,405	2,196	132	83,733	79,700
Amortization	3,334	-	-	3,334	(13,379)
Increase (Decrease) from Change in:					
Miscellaneous Receivables	(23,594)	(438)	(73)	(24,105)	155,717
Prepaid Expenses	15,801	1,216	-	17,017	7,237
Accounts Payable	9,711	1,785	-	11,496	(27,548)
Accrued Leave	2,071	194	-	2,265	39,381
Total	116,654	(1,078)	2,244	117,820	358,991
<u>CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES</u>					
Acquisition of Property and Equipment	(27,188)	-	-	(27,188)	-
Total	(27,188)	-	-	(27,188)	-
<u>CASH PROVIDED (USED) BY FINANCING ACTIVITIES</u>					
Principal Installments on Notes Payable	(64,538)	-	-	(64,538)	(47,032)
Total	(64,538)	-	-	(64,538)	(47,032)
<u>NET INCREASE (DECREASE) IN CASH</u>	24,928	(1,078)	2,244	26,094	311,959
<u>CASH BALANCE - Beginning of Year</u>	1,428,859	143,383	3,454	1,575,696	1,263,737
<u>CASH BALANCE - End of Year</u>	\$ 1,453,787	\$ 142,305	\$ 5,698	\$ 1,601,790	\$ 1,575,696

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

NOTES TO FINANCIAL STATEMENTS

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION - Chemical Addiction Recovery Effort (C.A.R.E.) is a not for profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization receives a substantial part of its support from a governmental unit which exempts them from private foundation status under Code Section 170. C.A.R.E. administers the substance abuse program within a six county district in Northwest Florida composed of Bay, Gulf, Calhoun, Jackson, Washington and Holmes Counties.

CASH - Amounts shown as cash include cash on hand and cash in checking accounts and certificates of deposit.

ACCOUNTS RECEIVABLE - Amounts shown as accounts receivable in the operating fund are comprised of miscellaneous contract payments from various government agencies that were outstanding at June 30, 2010. Accounts receivable in the D.U.I. School Fund are uncollected school fees outstanding at year end. No allowances for doubtful accounts are considered necessary.

PROPERTY AND EQUIPMENT - Expenditures for furniture and equipment with a cost in excess of \$1,000 and an estimated useful life of three years or more are capitalized at cost and depreciated over an average life of 5 to 15 years for furniture and equipment and 20 to 50 years for buildings using the straight line method. Donated items are recorded at estimated market value when received.

PATIENT REVENUE RECOGNITION - Historical analysis of the Organization reveals that client fees, other than D.U.I. School Fees, which are not collected at the time services are rendered are substantially uncollectible. Because of this, and through the application of a conservative accounting policy the Organization's management feels that client revenues should be recorded when collected rather than when billed.

FUND ACCOUNTING - Assets, liabilities, revenues, and expenditures are segregated into separate funds where required. As of June 30, 2010, these funds are as follows:

Operating Fund - Accounts for all operations of the Organization not included in other specific funds.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D.U.I. School Fund - Accounts for operation of the D.U.I. School Program under supervision of the Florida Department of Highway Safety and Motor Vehicles. All revenues of this program are restricted to use by this program.

Other Programs Fund - Accounts for operations of Drug, Alcohol Traffic Education (D.A.T.E.) program under the supervision of the Florida Department of Highway Safety and Motor Vehicles. All revenues of this program are designated for use by this program. Also accounts for the operations of the Driver Improvement Program. This program is an internet based curriculum through the National Traffic Safety Institute.

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.

FINANCIAL REPORTING - The financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

NOTE 1 - PROPERTY AND EQUIPMENT

	OPERATING	D.U.I. SCHOOL	OTHER PROGRAMS	TOTAL
	-----	-----	-----	-----
Building - Other	\$ 37,260	\$ -	\$ -	\$ 37,260
Building - East Avenue	777,550	-	-	777,550
Building Regency & Improvements	1,889,556	-	-	1,889,556
Building - Gulf County	50,393	-	-	50,393
Building - A.W.A.R.E.	172,596	-	-	172,596
Furniture, Fixtures, & Equip.	497,305	77,678	4,718	579,701
Less Accumulated Depreciation	(1,158,333)	(70,447)	(3,855)	(1,232,635)
	-----	-----	-----	-----
Property and Equipment - Net	\$2,266,327	\$ 7,231	\$ 863	\$2,274,421
	=====	=====	=====	=====
2009 - Net	\$2,320,544	\$ 9,427	\$ 995	\$2,330,966
	=====	=====	=====	=====

Property and equipment acquired with State or Federal Grant Funds are subject to various restrictions on use and disposition, in certain circumstances title to the property could revert to the grantor. Building costs include non-depreciable land costs of \$282,334 at June 30, 2010 and 2009.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2010

NOTE 2 - LOAN COSTS

Loan costs related to the refinancing with Trustmark Bank totaling \$16,668 were capitalized as of September 30, 2008, and are being amortized over the life of the loan, five years.

NOTE 3- LONG-TERM DEBT

On September 30, 2008 the mortgage for Regency Professional Center and the mortgage for the East Avenue building and land were refinanced with Trustmark Bank. The two mortgages were combined into one loan for \$1,239,252 at an interest rate of 5.500%.

	<u>2010</u>	<u>2009</u>
Trustmark Bank:		
Due in monthly installments of \$10,181 beginning November 30, 2008 with final balloon payment of \$994,896 due October 2, 2013. Interest at 5.5% fixed. Collateralized by all real estate and rents thereof.	1,142,198	1,198,943
\$250,000 line of credit. Dated December 9, 2009. Interest at bank prime, 4.25% at June 30, 2010. Collateralized by real estate.	-	-
Due in monthly installments of \$780 beginning February 2, 2009 including interest at 5.95% fixed through January 2013. Refinancing of two Toyota Camry vehicles.	21,655	\$ 29,449
	-----	-----
Total	\$1,163,853	\$1,228,392
	=====	=====

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2010

NOTE 3- LONG-TERM DEBT - Continued

Principal debt maturities for the subsequent years are

June 30,		
2011	\$	68,257
2012		72,038
2013		71,626
2014		951,932

Total		\$1,163,853
		=====

Total interest paid for 2010 and 2009 was \$66,990 and \$84,810, respectively.

NOTE 4 - GRANT REVENUE

A substantial portion of the Organization's support is in the form of grants from the State of Florida.

During the years ended June 30, C.A.R.E. received the following state grants representing the major funding of the Organization.

	<u>2010</u>	<u>2009</u>
Dept. of Children and Families		
Alcohol, Drug Abuse and		
Mental Health		
Contracts BDV01, BDS01	\$3,300,076	\$3,310,430
Level I Prevention Unit Rate		
Contract BDS05	-	94,164
	-----	-----
Total	\$3,300,076	\$3,404,594
	=====	=====

As of July 1, 2006, the funding arrangement for the major source of the Organization's grant revenues was changed. The grant contract with the State of Florida, Department of Children and Families was previously negotiated annually. Now the grant contract is established in three year cycles to allow a more stable budgeting process from year to year. The grant contract was awarded an additional three years beginning July 1, 2009 and ending June 30, 2012.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

NOTE 5- IN-KIND REVENUES AND EXPENDITURES

C.A.R.E records In-Kind Revenue and a like expenditure for the value of donated services to the program. The revenues for those years were \$107,124 for 2010 and \$117,970 for 2009. Expenditures for the same period were \$107,124 and \$117,970 respectively. Recorded amounts for donated rental space are computed using state approved rates at the level of services provided. The value of donated teaching services is computed using comparable public school wage rates. The value of a donated cooktop at the women's residential facility is recorded under the fixed asset account, Furniture, Fixtures and Equipment.

NOTE 6 - PERSONNEL MANAGEMENT

During 2003 C.A.R.E. entered into an employee leasing arrangement whereby most employment related issues were transferred to the leasing company. These included normal payroll, payroll taxes, workers compensation insurance, employee health insurance and most payroll records. C.A.R.E., however, maintains its retirement plan, leave records and miscellaneous deduction records. Retirement contributions and miscellaneous deduction payments are made directly by C.A.R.E. All other payroll related expenses are handled by the leasing company.

Retirement plan:

All "employees" of C.A.R.E. are eligible to participate in the Chemical Addictions Recovery Effort Profit Sharing 401(K) Plan subject to minimum service and age requirements. Employees are eligible for contributions made by the employer after completing six months service. Employer contributions are subject to a maximum of 100% of employee compensation. Employee salary reduction contributions may not exceed \$15,500 for participants under age 50 and \$20,500 for ages 50 and over. Combined contributions may not exceed 100% of employee's compensation or \$44,000 whichever is less. The Organization presently makes contributions based on 6% of eligible compensation. Employees are allowed to have contributions made on their behalf after six months of service. Annual minimum service of 1000 hours and minimum age of 21 are required for plan participation. As of July 1, 2007 the plan's vesting schedule was modified to 0% after years 1 and 2 and 100% after year 3. Employer contributions

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2010

NOTE 6 - PERSONNEL MANAGEMENT - Continued

for the years ended June 30, 2010 and 2009 were \$146,654 and \$66,303 respectively. The amount of employer contributions for year ending June 30, 2009 was for a six month period July 1, 2008 through December 31, 2008. Allocations were made to all employees who were eligible during the fiscal year.

Compensated Absences:

C.A.R.E. employees earn from ten hours to fourteen hours twenty minutes per month depending on length of service, toward compensated vacation and ten hours toward compensated sick leave. Should an employee terminate employment prior to using all earned vacation pay, the employee may be paid for 86% of the unused vacation leave. In addition, the employee may be paid for 25% of their unused sick leave if eligible. The liability for these items is identified on the Statement of Financial Position as Accrued Leave.

NOTE 7 - LEASE COMMITMENT

C.A.R.E. leases various properties for office and client care facilities. C.A.R.E. also leases various pieces of equipment - major equipment leases includes leases for vehicles and copiers. The rental expenses for the year ended June 30, 2010 and 2009, totaled \$84,067 and \$86,782 respectively. Estimated rental for significant leases for the year ending June 30, 2011 is as follows:

<u>PROPERTY</u>	<u>EXPIRATION DATE</u>	<u>AMOUNT</u>
Jackson County Office	June 2011	\$ 26,820
Intervention Offices	October 2010	1,810
Six Vehicles	October 2009 - April 2012	30,206
Nine Copiers	August 2012	14,459

Total Estimated Annual Rent for June 30, 2011		\$ 73,295
		=====

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

NOTE 7 - LEASE COMMITMENT - Continued

Annual lease payments for the above leases, through the term of the agreements, are as follows, June 30:

June 30,	
2011	\$ 73,295
2012	39,099
2013	15,963
2014	2,183

The intervention office facility noted above is leased from the Florida Department of Children and Families who provides major funding to the Organization.

NOTE 8 - INTERNAL RENT

As of June 18, 2004, the D.U.I. School, and D.A.T.E. Program operations moved into the Organization's new building on East Avenue. These programs were previously located in facilities leased from outside parties. Since the cost of the building was borne by the Organization's general program, the Board of Directors, at their August 2004 meeting, approved an "internal rent" to be paid by the D.U.I. School and D.A.T.E Program to the general program of \$4,000 per month. This monthly amount was based on an annual rate of \$8 per square foot for 6,000 sq. ft. of occupied space. As of July 2009 all internal rent is allocated to the D.U.I. School program.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2010

NOTE 9 - SPECIAL DISCLOSURES RELATED TO THE DUI PROGRAM

Florida Administrative Rule 15A-10.012 requires certain specific disclosures be made related to the operation and accounting of the D.U.I. program. These disclosures are as follows:

15A-10.012(2) - Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

15A-10.012(3) - D.U.I. and Special Supervision Services (SSS), Revenues (Support) and Expenses

	<u>D.U.I.</u>	<u>S.S.S.</u>	<u>Total D.U.I. Program 2010</u>	<u>Total D.U.I. Program 2009</u>
Support:				
School Registration Fees	\$ 269,039	\$ 27,934	\$ 296,973	\$ 300,100
Miscellaneous Income	25,424	3,685	29,109	31,571
Total Support	----- 294,463	----- 31,619	----- 326,082	----- 331,671
Total Expenses	----- (287,078)	----- (45,035)	----- (332,113)	----- (329,273)
Increase (Decrease) In unrestricted net assets	----- \$ 7,385 =====	----- \$(13,416) =====	----- \$ (6,031) =====	----- \$ 2,398 =====

The details of total expenses are reported on the Statement of Functional Expenses.

15A-10.012(5) - Basis of Indirect Cost Allocation

The D.U.I. program of the Organization is located in separate facilities from the main operations of the Organization. The only other program sharing facilities with the D.U.I. program is the D.A.T.E. program. No indirect costs associated with facilities or personnel not located at the D.U.I./D.A.T.E. facility are allocated to these programs. The Organization does, however, charge a flat fee to these programs for administrative services. Annual administrative fees were as follows: D.U.I. - \$6,700, S.S.S. - \$700.

These fees were set by the Board of Directors. The fee for the D.A.T.E. program was reallocated to the D.U.I school as of July 2009.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2010

 NOTE 9 - SPECIAL DISCLOSURES RELATED TO THE DUI PROGRAM - Continued

Expenses related to the facilities and personnel located at the D.U.I./D.A.T.E. facility are allocated directly to each program where possible. Where not possible, expenses are allocated by a cost allocation plan based on a study of actual operations. For the year ended June 30, 2009, most such expenses were allocated 85% - D.U.I., 10% - S.S.S. and 5% - D.A.T.E. For reporting purposes, these allocated expenses are not reported as a separate line item. Such expenses are added to directly allocated expenses and included in the appropriate expense line items on the Statement of Functional Expenses. As of July 2009, allocations for the D.U.I., D.A.T.E., and Supervision programs changed to D.U.I. 90% and SSS 10%. The D.A.T.E. program is no longer include in this allocation due to the program providing only on-line services.

The allocations referred to above provide a fair and equitable allocation of indirect costs to these programs.

15A-10.012(6) - State Assessment Fee

As required by Section 322.293, Florida Statutes and Administrative Rule 15A-10.005, F.A.C., the Fourteenth Judicial Circuit D.U.I. Program of Chemical Addictions Recovery Effort, Inc. collects a state assessment fee of \$15 (\$12 prior to September 2009) on every client enrolling in its D.U.I. program and remits the fees to the State of Florida. State assessment fees collected and distributed to the State of Florida are summarized as follows:

	<u>2010</u>	<u>2009</u>
Fees due from prior year	\$ 1,116	\$ 1,224
Fees collected current year	15,759	13,644
Fees remitted current year	(15,420)	(13,704)
Adjustments	15	(48)
	-----	-----
Fees due State	\$ 1,470	\$ 1,116
	=====	=====

15A-10.012(7) - Fee Collection Procedures

The D.U.I. Program has established and maintains procedures which adequately accounted for all fees received for the D.U.I. program and for all receipts created and/or issued by the D.U.I. program.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2010

NOTE 9 - SPECIAL DISCLOSURES RELATED TO THE DUI PROGRAM - Continued

15A-10.013(1) - Financial Procedures and Reporting Requirements

In addition to requirements and procedures described above, this section of the Florida Administrative Code requires that all fees collected by the DUI Program be used solely for the operation of the program, unless otherwise provided. As such, the Organization does not loan or transfer funds from the D.U.I. Program to any other of its programs.

15A-10.0142 - Revenue Limitation

The maximum allowable fee revenue to be retained by the D.U.I. Program for normal operations is the maximum allowable cost plus 10 percent of the maximum allowable cost. This additional 10 percent is allowable to fund a reserve which may not exceed 50 percent of the program's operational expenses for the most recently ended fiscal year.

	<u>2010</u>	<u>2009</u>
Total program expenses	\$332,113	\$329,273
	=====	=====
Maximum operational cash allowed at 100%	\$332,113	\$329,273
Maximum reserve cash allowed at 50%	166,057	164,637
	-----	-----
Total cash allowed to be retained	\$498,170	\$493,910
	=====	=====
Actual cash on hand June 30	\$142,305	\$143,383
	=====	=====

NOTE 10 - SUPPORT FROM THE STATE OF FLORIDA WHICH REQUIRED MATCH

The Organization received a substantial portion of its support from contracts with the State of Florida. The following contract required a twenty-five percent (25%) local match:

	<u>2010</u>	<u>2009</u>
Contract Numbers BDV01/ BDS01	\$ 3,300,076	\$ 3,310,430
Less Portion not Requiring Match	(2,831,156)	(2,829,412)
	-----	-----
Support Requiring Local Match	\$ 468,920	\$ 481,018
	=====	=====

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2010

NOTE 10 - SUPPORT FROM THE STATE OF FLORIDA WHICH REQUIRED MATCH
 - Continued

During the fiscal years ended June 30, 2010 and 2009, the reimbursable expenses were as follows:

	<u>2010</u>	<u>2009</u>
Total Expenses	\$ 4,563,992	\$ 4,655,291
Less: Non-Matching Revenues:		
Florida Department of Children and Families	2,831,156	2,829,412
Florida Department of Corrections	57,235	31,166
Medicaid	372,910	404,003
Other	51,946	45,426
Less: Non-Reimbursable		
Depreciation	2,577	2,577
Other	16,052	19,576
	-----	-----
Reimbursable Expenses	1,232,116	1,323,131
	-----	-----
Maximum Available Earnings (75%)	924,087	992,348
State Funds Requiring Match	468,920	575,182
	-----	-----
Excess Expenses	\$ 455,167	\$ 417,166
	=====	=====

During the years ended June 30, 2010 and 2009, the Organization received funds from Bay County, Florida, 14th Judicial Circuit, pursuant to special contracts to provide services related to a federal program known as Drug Court. These funds, \$63,808 and \$100,149, respectively, are not considered grants by the Organization and, therefore, not included in non-matching revenues above.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

NOTE 11 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances in financial institutions located in Northwest Florida. Cash balances for the Organization fall under the FDIC's program called the Transaction Account Guarantee Program (TAG) which provides full coverage of non-interest bearing accounts. This program will expire December 31, 2010. After this date, the FDIC will insure cash balances up to \$250,000.

As of June 30, 2010, cash balances in banks totaled \$1,633,327 of which \$19,760 was not covered by FDIC. A certificate of deposit with a carrying amount of \$66,111 as of June 30, 2010 is pledged as collateral on the Organization's employee leasing contract.

NOTE 12 - CONTINGENCY

On January 8, 2009, an employee of the AWARE program was driving an agency vehicle that collided with a motorcyclist that resulted in a fatality. The insurance carrier for CARE has assigned an attorney in this case. At this time, the insurance carrier has no further knowledge of any monetary settlements that would result in any financial liabilities.

NOTE 13 - SUBSEQUENT EVENT EVALUATION

Management has evaluated subsequent events through October 12, 2010, the date which the financial statements were available for issue. During that period nothing came to the attention of management that would have a significant effect on the Organization's operations.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE PROJECTS

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE PROJECTS
 YEAR ENDED JUNE 30, 2010

GRANTOR/ PROGRAM TITLE	PASS THROUGH GRANTOR	CFDA/CSFA NUMBER	CONTRACT GRANT NUMBER	CURRENT EXPENDITURES
<u>FEDERAL AWARDS</u>				
United State Government				
Department of Health and Human Services				
Temporary Assistance for Needy Families	State of Florida, Department of Children and Families	93.558	BDV01	\$ 217,827
Block Grant for Prevention and Treatment of Substance Abuse	State of Florida, Department of Children and Families	93.959	BDV01	1,732,566
Department of Agriculture				
ARRA - Supplemental Nutrition Assistance Program (SNAP)	State of Florida, Department of Children and Families	10.551	N/A	36,867
School Breakfast Program	State of Florida, Department of Education	10.553	01-0253	11,740
National School Program (a)	State of Florida, Department of Education	10.555	01-0253	3,339
Total Expenditures of Federal Awards				----- \$2,002,339 =====
<u>STATE SUPPORT</u>				
State of Florida, Department of Children and Families				
Substance Abuse Treatment and Aftercare Services for Children	N/A	60.030	BDV01	\$ 425,150
Substance Abuse Detoxification Services for Adults	N/A	60.031	BDV01	439,436
Substance Abuse Treatment and Aftercare Services for Adults	N/A	60.033	BDV01	430,510
Temporary Assistance for Needy Families State Match for 93.558	N/A	N/A	BDV01	7,951
Prevention and Treatment of Substance Abuse State Match for 93.959	N/A	N/A	BDV01	46,636
Department of Corrections				
Substance Abuse Services Outpatient Substance Abuse Treatment Services	N/A	70.016	C2211	50,235
Drug Court	N/A	70.016	C2291	7,000
Total Expenditures of State Support				----- \$1,406,918 =====

NOTES TO SCHEDULE:
 (a) Non Cash Commodity Distribution
 The above schedule was prepared on the accrual basis.

SUPPLEMENTAL SCHEDULES REQUIRED BY
STATE ADM CONTRACT PROVISIONS

AUDIT SCHEDULE

Schedule of State Earnings for
Fiscal Year 06/30/10

1 Total Expenditures	\$4,563,992
2 Less Other State and Federal Funds	(\$482,091)
3 Less Non-Match SAMH Funds	(\$2,831,156)
4 Less Unallowable Costs per 65E-14, F.A.C.	(\$18,629)
5 Total Allowable Expenditures (Sum of lines 1, 2, 3, and 4)	\$1,232,116
6 Maximum Available Earnings (Line 5 times 75%)	\$924,087
7 Amount of State Funds Requiring Match	\$468,920
8 Amount Due to Department (Subtract line 7 from line 6)	\$455,167

AUDIT SCHEDULE

**Schedule of Related Party Transaction Adjustments
for the Fiscal Year Ending 06/30/10**

Revenues From Grantee	Related Party	Allocation of Related Party Transactions Adjustment					Total
		State-Designated Cost Centers					
		1	2	3		
Rent	XXX	0	0	0	0	0	0
Services	XXX	0	0	0	0	0	0
Interest	XXX	0	0	0	0	0	0
Other	XXX	0	0	0	0	0	0
Total Revenue From Grantee	XXX	0	0	0	0	0	0
Expenses Associated with Grantee Transactions							
Personnel Services	YYY	0	0	0	0	0	0
Depreciation	YYY	0	0	0	0	0	0
Interest	YYY	0	0	0	0	0	0
Other	YYY	0	0	0	0	0	0
Total Associated Expenses	YYY	0	0	0	0	0	0
Related Party Transaction Adjustment	ZZZ	0	0	0	0	0	0

AUDIT SCHEDULE

Schedule of Bed-Day Availability Payments
For Fiscal Year Ending 06/30/10

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 F (D-E)	Amount Paid for Services by the Department G	Maximum \$ Value of Units in Column F H (F x C)	Amount Owed to Department (G-H or \$0, whichever is greater) I
Children's MH	Crisis Stabilization Unit	\$0.00	0	0	0	\$0.00	\$0.00	\$0.00
Adult MH	Crisis Stabilization Unit	\$0.00	0	0	0	\$0.00	\$0.00	\$0.00
Children's SA	Substance Abuse Detox	\$0.00	0	0	0	\$0.00	\$0.00	\$0.00
Adult SA	Substance Abuse Detox	\$204.94	5,475	182.14	5,293	\$878,101.00	\$1,084,718.73	\$0.00
Adult MH	Short-term Residential Treatment	\$0.00	0	0	0	\$0.00	\$0.00	\$0.00
Total Amount Owed to Department =								\$0.00

PART II: PROJECTED EXPENSES

STATE-DESIGNATED SAMH COST CENTERS																				Total Expenses (F+G+H+I)							
STATE SAMH-FUNDED COST CENTERS																				Total Expenses (F+G+H+I)							
Combined Programs		Program 1														Total for State SAMH-Funded Cost Centers (C1+...+C4)		Total for Non-State-Funded SAMH Cost Centers		Total for All State-Designated SAMH Cost Centers (D+E)		Non-SAMH Cost Center DUJ		Other Support Costs (Optional)		Administration	
EXPENSE CATEGORIES	ADULT S/A	ADOL S/A	Total for Program 1 or Combined (B1+...+B14)	DETOX	OUTPATIENT	OUTPATIENT GROUP	OUTREACH	AFTERCARE	AFTERCARE	AFTERCARE GROUP	INTERVENTION	RESIDENTIAL	ROOM & BOARD	PREVENTION	PREV/INTERDAY	INCIDENTAL EXP	Total for Program 1 (B2+...+B24)	Total for State SAMH-Funded Cost Centers (C1+...+C4)	Total for Non-State-Funded SAMH Cost Centers	Total for All State-Designated SAMH Cost Centers (D+E)	Non-SAMH Cost Center DUJ	Other Support Costs (Optional)	Administration	Total Expenses (F+G+H+I)			
A	B1	B2	C	B2-a	B2-b	B2-c	B2-d	B2-e	B2-f	B2-g	B2-h	B2-i	B2-j	B2-k	B2-l	B2-m	B2-n	C2	D	E	F	G	H	I	J		
BA. PERSONNEL EXPENSES																											
(1) Salaries	\$ 1,690,788	\$ 721,958	\$ 2,412,726	\$ 646,815	\$ 471,315	\$ 146,836	\$ 48,054	\$ 3,941	\$ 1,971	\$ 1,971	\$ 137,696	\$ 492,359	\$ 144,367	\$ 198,410	\$ 137,696	\$ -	\$ 2,412,726	\$ 2,412,726	\$ -	\$ 2,412,726	\$ 184,332	\$ -	\$ -	\$ 961,230	\$ 1,155,268		
(2) Fringe Benefits	\$ 78,298	\$ 33,278	\$ 111,545	\$ 30,430	\$ 22,001	\$ 6,948	\$ 2,281	\$ -	\$ -	\$ -	\$ 6,146	\$ 22,385	\$ 4,650	\$ 9,800	\$ 6,915	\$ -	\$ 111,545	\$ 111,545	\$ -	\$ 111,545	\$ 8,216	\$ -	\$ -	\$ 29,919	\$ 140,380		
TOTAL PERSONNEL EXPENSES	\$ 1,769,086	\$ 755,236	\$ 2,524,271	\$ 680,245	\$ 493,316	\$ 153,784	\$ 50,335	\$ 3,941	\$ 1,971	\$ 1,971	\$ 143,842	\$ 514,744	\$ 149,017	\$ 208,210	\$ 144,611	\$ -	\$ 2,524,271	\$ 2,524,271	\$ -	\$ 2,524,271	\$ 192,548	\$ -	\$ -	\$ 991,149	\$ 1,292,968		
BB. OTHER EXPENSES																											
(1) Building Occupancy	\$ 150,625	\$ 76,031	\$ 226,627	\$ 61,651	\$ 46,253	\$ 14,610	\$ 4,108	\$ -	\$ -	\$ -	\$ 9,329	\$ 53,360	\$ 22,514	\$ 3,210	\$ 1,654	\$ -	\$ 226,627	\$ 226,627	\$ -	\$ 226,627	\$ 28,904	\$ -	\$ -	\$ 46,324	\$ 285,654		
(2) Professional Services	\$ 65,280	\$ 14,144	\$ 79,424	\$ 38,551	\$ 13,390	\$ 4,225	\$ 1,244	\$ -	\$ -	\$ -	\$ 1,111	\$ 7,623	\$ 3,076	\$ 47	\$ 168	\$ -	\$ 79,424	\$ 79,424	\$ -	\$ 79,424	\$ 9,129	\$ -	\$ -	\$ 45,725	\$ 134,274		
(3) Travel	\$ 13,605	\$ 12,491	\$ 26,096	\$ 324	\$ 7,864	\$ 2,463	\$ 165	\$ -	\$ -	\$ -	\$ 7,446	\$ 2,463	\$ 165	\$ 48	\$ 11,988	\$ 1,271	\$ 26,096	\$ 26,096	\$ -	\$ 26,096	\$ 868	\$ -	\$ -	\$ 2,606	\$ 28,570		
(4) Equipment	\$ 47,103	\$ 21,850	\$ 68,953	\$ 13,746	\$ 5,169	\$ 1,885	\$ 511	\$ -	\$ -	\$ -	\$ 387	\$ 26,135	\$ 5,874	\$ 1,814	\$ 757	\$ -	\$ 68,953	\$ 68,953	\$ -	\$ 68,953	\$ 4,248	\$ -	\$ -	\$ 25,170	\$ 102,480		
(5) Food Services	\$ 74,239	\$ 14,678	\$ 89,237	\$ 26,821	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,718	\$ 8,668	\$ -	\$ -	\$ -	\$ 89,237	\$ 89,237	\$ -	\$ 89,237	\$ -	\$ -	\$ -	\$ -	\$ 89,237		
(6) Medical and Pharmacy	\$ 72,032	\$ 17,024	\$ 89,056	\$ 25,276	\$ 41,190	\$ 13,007	\$ 4,536	\$ -	\$ -	\$ -	\$ 3,628	\$ 1,133	\$ 160	\$ 60	\$ 36	\$ -	\$ 89,056	\$ 89,056	\$ -	\$ 89,056	\$ 908	\$ -	\$ -	\$ 48	\$ 90,010		
(7) Subcontracted Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
(8) Insurance	\$ 63,326	\$ 35,194	\$ 98,520	\$ 14,027	\$ 16,128	\$ 5,064	\$ 1,610	\$ -	\$ -	\$ -	\$ 1,061	\$ 33,630	\$ 10,220	\$ 1,061	\$ 6,066	\$ -	\$ 98,520	\$ 98,520	\$ -	\$ 98,520	\$ 5,007	\$ -	\$ -	\$ 19,998	\$ 106,524		
(9) Interest Paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
(10) Operating Supplies & Expenses	\$ 125,794	\$ 34,678	\$ 160,472	\$ 47,225	\$ 80,305	\$ 6,650	\$ 2,960	\$ -	\$ -	\$ -	\$ 3,809	\$ 27,334	\$ 7,657	\$ 4,854	\$ 4,827	\$ 21,393	\$ 160,472	\$ 160,472	\$ -	\$ 160,472	\$ 34,399	\$ -	\$ -	\$ 40,868	\$ 235,521		
(11) Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
(12) Donated Items	\$ 21,382	\$ 63,742	\$ 105,124	\$ 12,566	\$ 14,137	\$ 4,464	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,078	\$ 22,423	\$ -	\$ -	\$ -	\$ 105,124	\$ 105,124	\$ -	\$ 105,124	\$ -	\$ -	\$ -	\$ 800	\$ 105,720		
TOTAL OTHER EXPENSES	\$ 680,610	\$ 268,999	\$ 939,550	\$ 200,576	\$ 174,739	\$ 50,180	\$ 18,203	\$ -	\$ -	\$ -	\$ 28,736	\$ 262,761	\$ 84,930	\$ 22,734	\$ 14,721	\$ 21,393	\$ 939,550	\$ 939,550	\$ -	\$ 939,550	\$ 54,396	\$ -	\$ -	\$ 247,274	\$ 1,231,134		
TOT. PERSONNEL & OTH. EXP.	\$ 2,388,754	\$ 925,044	\$ 3,463,780	\$ 940,821	\$ 668,051	\$ 210,964	\$ 68,538	\$ 3,941	\$ 1,971	\$ 1,971	\$ 172,578	\$ 777,465	\$ 233,946	\$ 230,934	\$ 159,338	\$ 21,393	\$ 3,463,780	\$ 3,463,780	\$ -	\$ 3,463,780	\$ 236,944	\$ -	\$ -	\$ 828,128	\$ 4,569,860		
BC. DISTRIBUTED INDIRECT COSTS																											
(a) Other Support Costs (Optional)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
(b) Administration	\$ 598,696	\$ 284,627	\$ 823,123	\$ 115,257	\$ 87,580	\$ 27,657	\$ 41,159	\$ -	\$ -	\$ -	\$ 9,543	\$ 239,803	\$ 96,496	\$ 82,312	\$ 82,312	\$ -	\$ 823,123	\$ 823,123	\$ -	\$ 823,123	\$ 55,400	\$ -	\$ -	\$ 5,640	\$ 878,163		
TOT. DIST. INDIRECT COSTS	\$ 598,696	\$ 284,627	\$ 823,123	\$ 115,257	\$ 87,580	\$ 27,657	\$ 41,159	\$ -	\$ -	\$ -	\$ 9,543	\$ 239,803	\$ 96,496	\$ 82,312	\$ 82,312	\$ -	\$ 823,123	\$ 823,123	\$ -	\$ 823,123	\$ 55,400	\$ -	\$ -	\$ 5,640	\$ 878,163		
TOTAL PROJECTED OPER. EXPENSES	\$ 3,077,350	\$ 1,209,671	\$ 4,286,903	\$ 1,060,008	\$ 755,631	\$ 238,621	\$ 109,697	\$ 3,941	\$ 1,971	\$ 1,971	\$ 261,321	\$ 1,007,268	\$ 330,442	\$ 313,246	\$ 241,650	\$ 21,393	\$ 4,286,903	\$ 4,286,903	\$ -	\$ 4,286,903	\$ 322,344	\$ -	\$ -	\$ 833,768	\$ 5,120,671		
BD. UNALLOWABLE COSTS																											
	\$ 2,187	\$ (690)	\$ (2,577)	\$ -	\$ (1,656)	\$ (618)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,577)	\$ (2,577)	\$ -	\$ (2,577)	\$ -	\$ -	\$ -	\$ -	\$ -		
TOT. ALLOWABLE PROJ. OPERATING EXP.	\$ 3,075,163	\$ 1,208,981	\$ 4,284,326	\$ 1,060,008	\$ 753,975	\$ 237,963	\$ 109,697	\$ 3,941	\$ 1,971	\$ 1,971	\$ 261,321	\$ 1,007,268	\$ 328,246	\$ 311,556	\$ 241,650	\$ 21,393	\$ 4,284,326	\$ 4,284,326	\$ -	\$ 4,284,326	\$ 322,344	\$ -	\$ -	\$ 833,768	\$ 5,118,094		
BE. CAPITAL EXPENDITURES																											
	\$ 47,875	\$ 20,883	\$ 68,728	\$ 24,229	\$ 16,818	\$ 4,361	\$ -	\$ -	\$ -	\$ -	\$ 2,262	\$ 17,642	\$ 6,678	\$ -	\$ -	\$ -	\$ 68,728	\$ 68,728	\$ -	\$ 68,728	\$ -	\$ -	\$ -	\$ -	\$ 18,562	\$ 86,290	
BG. BUDGET NARRATIVE (attach separate set of worksheets)																											

PART III: CERTIFICATION

I certify the above to be an accurate projection and in agreement with the agency's records and with the terms of the agency's contract with the department.

Signature _____ Title _____ Date _____

INDEPENDENT AUDITOR'S REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

DALE L. CAVIN, C.P.A.

DONNA F. ROGERS, C.P.A.

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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
Chemical Addictions Recovery Effort, Inc.
4000 E. 3rd Street
Panama City, Florida 32404

We have audited the financial statements of Chemical Addictions Recovery Effort, Inc. (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 12, 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 Chemical Addictions Recovery Effort, 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 Chemical Addictions Recovery Effort, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 Chemical Addictions Recovery Effort, 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 test disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to the management of Chemical Addictions Recovery Effort, Inc. in a separate letter dated October 12, 2010.

This report is intended solely for the information and use of the Finance Committee, management, others within the Organization, the Board of Directors, 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.

October 12, 2010


Grimsley, Cavin & Company
Certified Public Accountants

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, (FLORIDA)

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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, (FLORIDA)

Board of Directors
Chemical Addictions Recovery Effort, Inc.
4000 E. 3rd Street
Panama City, Florida 32404

Compliance

We have audited Chemical Addictions Recovery Effort, Inc.'s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the Executive Office of the Governor's (Florida) State Projects Compliance Supplement that could have a direct and material effect on each of Chemical Addictions Recovery Effort, Inc.'s major federal programs and state projects for the year ended June 30, 2010. Chemical Addictions Recovery Effort, Inc.'s major federal programs and state projects 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 and state projects is the responsibility of Chemical Addictions Recovery Effort, Inc.'s management. Our responsibility is to express an opinion on Chemical Addictions Recovery Effort, 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; OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations and Chapter 10.650, Rules of the Auditor General (Florida). Those standards, OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General (Florida) 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 Chemical Addictions Recovery Effort, 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 of Chemical Addictions Recovery Effort, Inc.'s compliance with those requirements.

In our opinion, Chemical Addictions Recovery Effort, 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 and state projects for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Chemical Addictions Recovery Effort, 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 and state projects. In planning and performing our audit, we considered Chemical Addictions Recovery Effort, Inc.'s 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 our 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 (Florida), 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 Chemical Addiction Recovery Effort, 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.

Board of Directors
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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 the Finance Committee, management, others within the Organization, the Board of Directors, 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.

October 12, 2010


Grimsley, Cavin & Company
Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

Part I - Summary of Auditor's Results

1. The independent auditor's report on the financial statements expressed an unqualified opinion.
2. There were no reportable conditions in internal control over financial reporting required to be reported by Government Auditing Standards.
3. We disclosed no instances of noncompliance considered material to the financial statements.
4. There were no reportable conditions identified in internal control over compliance with requirements applicable to the major federal awards programs or state projects.
5. The independent auditor's report on compliance with requirements applicable to major federal awards programs and state projects expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133 or The Executive Office of the Governor's (Florida) State Projects Compliance Supplement.
7. The Organization's major federal programs and state projects were:
 - A. Block Grant for the Prevention and Treatment of Substance Abuse - CFDA #93.959
 - B. Substance Abuse Treatment and Aftercare Services for Children - CSFA #60.030
 - C. Substance Abuse Detoxification Services for Adults - CSFA #60.031
8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 and The Executive Office of the Governor's (Florida) State Projects Compliance Supplements.
9. The Organization qualifies as a low-risk auditee as that term is defined in OMB Circular A-133.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
SCHEDULE OF FINDING AND QUESTIONED COSTS
JUNE 30, 2010

Part II - Financial Statement Findings Section

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

No items were noted in the current or prior year.

Part III - Federal Award Findings and Questioned Costs Section

This section identifies reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by Circular A-133.

No items were noted in the current or prior year.

Part IV - State Projects Findings and Questioned Costs Section

This section identifies reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major state projects, as required by The Executive Office of the Governor's (Florida) State Projects Compliance Supplement.

No items were noted in the current or prior year.

MANAGEMENT LETTER

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

DALE L. CAVIN, C.P.A.

DONNA F. ROGERS, C.P.A.

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Chemical Addictions Recovery Effort, Inc.
4000 E. 3rd Street
Panama City, Florida 32404

We have audited the financial statements of the Chemical Addictions Recovery Effort, Inc. as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 12, 2010.

We conducted our audit 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, Audit of States, Local Governments, and Non-Profit Organizations. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and State Project and on Internal Control Compliance in Accordance with OMB Circular A-133 and The Executive Office of the Governor's (Florida) State Projects Compliance Supplement, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated October 12, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of laws, regulations, contracts, or grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement or State project amounts that is less than material but more than inconsequential. In addition, for matters that are inconsequential to the determination of financial statement or State

project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor.

Our audit disclosed the following matters required to be disclosed.

PRIOR YEAR COMMENTS AND RECOMMENDATIONS THAT HAVE NOT BEEN CORRECTED

- Client File Documentation

In the prior year we tested certain documentation within client files. In that test we found a few minor discrepancies in a small number of files. In the current year, we again tested a sample of 62 client files for documentation of services performed as derived from billing records, and for Income Verification Forms. Information on Income Verification Forms is critical to determine the eligibility of the client for reduced rates, and therefore state assistance. We found all files to be in general good order. However, we noted that in two files there was no Income Verification Form. We did however note indication on other documents that the client's income had been determined. We noted in one file that there were none of the admittance forms and related documentation normally found in the files. When we asked about this, we were told the original file had been misplaced and they had to rebuild the client's file with information available. Finally, we noted that several files from one location were not filed currently. Recent documents were clipped together in neat order, but were not clipped in the client file. Staff indicated that they were behind on filing.

- Recommendation

In general the Organization's client files are in excellent order and they have a periodic internal audit of files that helps to eliminate most problems. However, small exceptions do exist. We recommend that management review problem areas and take appropriate steps to bring these areas up to standards.

Board of Directors
Page Three

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

- See Above

Pursuant to Chapter 119, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of American require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.


Grimsley, Cavin & Company
Certified Public Accountants

October 12, 2010

RESPONSE TO MANAGEMENT LETTER COMMENTS



Chemical Addictions Recovery Effort, Inc.

Prevention • Intervention • Treatment • Recovery

October 12, 2009

ADMINISTRATION

4000 East 3rd Street
Panama City, FL 32404
(850) 872-7676, x4432
FAX: (850) 872-9202

AWARE

3407 North East Avenue
Panama City, FL 32405
(850) 769-6156, x21
FAX: (850) 872-0089

BAY OUTPATIENT

4000 East 3rd Street
Panama City, FL 32404
(850) 872-7676, x4426
FAX: (850) 872-8955

JACKSON OUTPATIENT

4150 Hollis Drive
Marianna, FL 32446
(850) 526-3133
FAX: (850) 482-5668

PREVENTION PROGRAMS

2766 Levy St.
Cottondale, FL 32421
(850) 352-3553
FAX: (850) 352-2614

PRIMARY CARE

(DETOXIFICATION)
4000 East 3rd Street
Panama City, FL 32404
(850) 769-1632
FAX: (850) 872-0935

SOS

4000 East 3rd Street
Panama City, FL 32404
(850) 872-7676, x4426
FAX: (850) 872-7679

Mr. Jonn Shelton
DCF Contract Manager
2383 Phillips Road
Tallahassee, FL 32308

Dear Mr. Shelton:

Enclosed for your review is the Chemical Addictions Recovery Effort, Inc., (CARE), FY 09/10 yearly audit report that was conducted by Grimsley, Cavin & Company, P.A. Listed below are findings of the auditors and corrective actions that have been taken in each referenced finding.

In reference to the reportable findings, for the requirements related to Chapter 5.18 of Government Auditing Standards, the following recommendations will be followed:

Prior Year Comments and Recommendations: (Management Letter dated October 1, 2009)

-Clinical File Documentation – CARE will review its training process for file documentation to ensure that staff members, especially newly hired staff, are aware of the importance of complete and accurate information being documented.

Current Year Comments and Recommendations that have not been corrected: (Management Letter dated October 12, 2010)

-Clinical File Documentation – CARE continues to monitor clinical documentation during the periodic internal audit review process. In the event a client refuses or is unable to furnish income information, a notation will be used to document this attempt on the Income Verification Form. Also, file management procedures will be reviewed to ensure that the filing of clinical files remain up to date.

Sincerely,

Debbie Cruce
Chief Financial Officer
Chemical Addictions Recovery Effort,
Inc.