

**DRUG ABUSE FOUNDATION OF
PALM BEACH COUNTY, INC.
FINANCIAL STATEMENTS
JUNE 30, 2010**

Drug Abuse Foundation of Palm Beach County, Inc.
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Viniar & Company

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT A. VINIAR, C.P.A.
LICENSED IN FL & NY

222 S. US HIGHWAY 1, STE 7
TEQUILA, FL 33469
TEL: (561) 746-8550
FAX: (561) 746-3031
WWW.VINIARANDCOMPANY.COM

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Drug Abuse Foundation of Palm Beach County, Inc. (the "Foundation") as of June 30, 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2009 financial statements and in our report dated October 2, 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 Drug Abuse Foundation of Palm Beach County, 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 November 11, 2010, on our consideration of Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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November 11, 2010

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

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November 11, 2010

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010
WITH COMPARATIVE TOTALS FOR 2009

ASSETS

| | 2010 | 2009 |
|---|--------------|--------------|
| Current assets | | |
| Cash and cash equivalents | \$ 929,791 | \$ 894,102 |
| Grants and contracts receivable | 490,624 | 342,768 |
| Client fees receivable (net of allowance for doubtful accounts of \$291,909) | 510,110 | 417,212 |
| Inventory | 10,393 | 10,473 |
| Prepaid expenses | 82,479 | 78,686 |
| Total current assets | 2,023,397 | 1,743,241 |
| Fixed assets | | |
| Land, building and equipment (Note B) | 5,815,124 | 5,728,924 |
| Accumulated depreciation | (3,012,480) | (2,770,064) |
| Net fixed assets | 2,802,644 | 2,958,860 |
| Other assets | | |
| Deposits | 12,777 | 12,710 |
| Total other assets | 12,777 | 12,710 |
| TOTAL ASSETS | \$ 4,838,818 | \$ 4,714,811 |

LIABILITIES AND NET ASSETS

| | | |
|--|--------------|--------------|
| Current liabilities | | |
| Accounts payable | \$ 213,059 | \$ 204,491 |
| Accrued expenses | 291,526 | 287,921 |
| Income taxes payable | - | 1,858 |
| Mortgage payable, current portion (Note C) | 57,918 | 52,059 |
| Total current liabilities | 562,503 | 546,329 |
| Mortgage payable, long term portion (Note C) | 1,867,651 | 1,930,666 |
| Total liabilities | 2,430,154 | 2,476,995 |
| Net assets, unrestricted | 2,408,664 | 2,237,816 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 4,838,818 | \$ 4,714,811 |

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE TOTALS FOR 2009

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2010</u> | <u>2009</u> |
|--|---------------------|-----------------------------------|------------------|------------------|
| Support and Revenues | | | | |
| Public support | | | | |
| Federal and State ADM grants | | | | |
| Adult substance abuse - District 9 | \$ - | \$ 2,160,263 | \$ 2,160,263 | \$ 2,083,041 |
| Child/adolescent substance abuse - District 9 | - | 730,055 | 730,055 | 730,055 |
| Palm Beach County | - | 757,982 | 757,982 | 814,981 |
| Contributions and donations | 326,730 | 44,419 | 371,149 | 172,453 |
| Contributions - in - kind | - | 100,000 | 100,000 | 100,000 |
| Total public support | <u>326,730</u> | <u>3,792,719</u> | <u>4,119,449</u> | <u>3,900,530</u> |
| Other revenues | | | | |
| Client fees | 812,364 | - | 812,364 | 756,370 |
| Food Stamps | - | 60,323 | 60,323 | 80,582 |
| State and local service revenue (Note H) | - | 2,631,831 | 2,631,831 | 2,894,832 |
| Other | 5,542 | - | 5,542 | 6,322 |
| Investment income | 666 | - | 666 | 2,082 |
| Rental income | 53,675 | - | 53,675 | 59,300 |
| Total other revenues | <u>872,247</u> | <u>2,692,154</u> | <u>3,564,401</u> | <u>3,799,488</u> |
| Temporarily restricted net assets released from restriction | <u>6,484,873</u> | <u>(6,484,873)</u> | <u>-</u> | <u>-</u> |
| Total all funding and revenues | <u>7,683,850</u> | <u>-</u> | <u>7,683,850</u> | <u>7,700,018</u> |

(continued)

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE TOTALS FOR 2009
(continued)

| | Unrestricted | Temporarily Restricted | 2010 | 2009 |
|-----------------------------------|---------------------|---------------------------|---------------------|---------------------|
| Expenses | | | | |
| Program services | | | | |
| Assessment services | 328,408 | - | 328,408 | 272,120 |
| TASC services | 255,822 | - | 255,822 | 330,291 |
| Intervention services | 167,399 | - | 167,399 | 223,228 |
| Detox/Medical services | 1,084,260 | - | 1,084,260 | 985,614 |
| Outpatient services | 320,232 | - | 320,232 | 302,759 |
| Case management | 112,283 | - | 112,283 | 174,777 |
| Residential level II | 1,588,827 | - | 1,588,827 | 1,637,173 |
| Residential level IV | 904,582 | - | 904,582 | 955,274 |
| Prevention | 480,555 | - | 480,555 | 463,678 |
| Day/night treatment | 571,026 | - | 571,026 | 570,466 |
| Correction services | 727,360 | - | 727,360 | 797,898 |
| Outreach | 278,642 | - | 278,642 | 351,101 |
| Total program services | <u>6,819,396</u> | <u>-</u> | <u>6,819,396</u> | <u>7,064,379</u> |
| Support services | | | | |
| Administration | 628,023 | - | 628,023 | 572,802 |
| Total functional expenses | <u>7,447,419</u> | <u>-</u> | <u>7,447,419</u> | <u>7,637,181</u> |
| Other | | | | |
| Expenses of rental income | 65,583 | - | 65,583 | 46,915 |
| Income taxes on net rental income | - | - | - | 1,858 |
| Total other expenses | <u>65,583</u> | <u>-</u> | <u>65,583</u> | <u>48,773</u> |
| Total expenses | <u>7,513,002</u> | <u>-</u> | <u>7,513,002</u> | <u>7,685,954</u> |
| Change in net assets | 170,848 | - | 170,848 | 14,064 |
| Net assets, beginning of year | 2,237,816 | - | 2,237,816 | 2,223,752 |
| Net assets, end of year | <u>\$ 2,408,664</u> | <u>\$ -</u> | <u>\$ 2,408,664</u> | <u>\$ 2,237,816</u> |

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE TOTALS FOR 2009

PROGRAM SERVICES

| | Assessment Services | TASC Services | Intervention Services | Detox/Med Services | Outpatient Services |
|---|------------------------|-------------------|--------------------------|-----------------------|------------------------|
| Salaries | \$ 226,598 | \$ 164,789 | \$ 109,453 | \$ 389,884 | \$ 198,593 |
| Payroll taxes and other | 23,577 | 13,898 | 8,722 | 37,741 | 9,060 |
| Employee benefits | 25,968 | 27,086 | 19,140 | 41,706 | 33,027 |
| Total salaries and related expenses | <u>276,143</u> | <u>205,773</u> | <u>137,315</u> | <u>469,331</u> | <u>240,680</u> |
| Rent | - | 23,373 | - | - | 19,120 |
| Telephone | 3,629 | 2,702 | 3,470 | 3,816 | 6,321 |
| Office supplies | 24 | 183 | 233 | 464 | 533 |
| Insurance | 4,182 | 5,452 | 3,772 | 28,363 | 7,137 |
| Professional fees | 7 | 56 | 73 | 319,184 | 191 |
| Travel | 942 | 2,486 | 3,847 | 4 | 1,491 |
| Utilities | 781 | 5,057 | 5,546 | 10,131 | 11,180 |
| Repairs and maintenance | 364 | 1,941 | 2,367 | 6,878 | 5,057 |
| Data processing | 66 | 492 | 650 | 1,363 | 1,691 |
| Postage | 21 | 1,194 | 749 | 13 | 3,310 |
| Printing and reproduction | - | - | - | - | - |
| Auto and fuel | 48 | 288 | 360 | 360 | 144 |
| Equipment rental | 3 | 15 | 24 | 58 | 72 |
| Food | 1 | 3 | 4 | 24,596 | 2 |
| Medical supplies | 2,863 | 17 | 31 | 33,080 | 517 |
| Interest | 302 | 2,327 | 3,098 | 6,976 | 9,013 |
| Bad debts | 37,820 | - | - | 170,571 | 7,564 |
| Other | 194 | 1,205 | 1,857 | 2,479 | 2,965 |
| Total direct expense | 327,390 | 252,564 | 163,396 | 1,077,667 | 316,988 |
| Depreciation of building and equipment | 1,018 | 3,258 | 4,003 | 6,593 | 3,244 |
| Total expenses | <u>\$ 328,408</u> | <u>\$ 255,822</u> | <u>\$ 167,399</u> | <u>\$ 1,084,260</u> | <u>\$ 320,232</u> |
| Allocation of administration | <u>\$ 15,701</u> | <u>\$ 45,532</u> | <u>\$ 43,962</u> | <u>\$ 89,493</u> | <u>\$ 40,821</u> |

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

PROGRAM SERVICES

| Case Management | Residential Level II | Residential Level IV | Prevention Services | Day/Night Treatment | Correction Services |
|--------------------|-------------------------|-------------------------|------------------------|------------------------|------------------------|
| \$ 94,975 | \$ 718,310 | \$ 501,403 | \$ 320,974 | \$ 380,931 | \$ - |
| 8,245 | 71,802 | 46,856 | 28,365 | 33,545 | - |
| 2,964 | 109,176 | 52,563 | 42,145 | 67,800 | - |
| <u>106,184</u> | <u>899,288</u> | <u>600,822</u> | <u>391,484</u> | <u>482,276</u> | <u>-</u> |
| - | - | - | 4,249 | 77,000 | - |
| 425 | 11,427 | 6,145 | 4,996 | 696 | - |
| 38 | 3,128 | 1,760 | 1,818 | 164 | - |
| 2,203 | 33,848 | 16,835 | 6,978 | 4,834 | - |
| 11 | 63,405 | 8,487 | 1,087 | 22 | 727,360 |
| 127 | 25 | 7,321 | 115 | 299 | - |
| 776 | 55,287 | 30,277 | 22,816 | 1,752 | - |
| 378 | 36,392 | 10,208 | 7,476 | 383 | - |
| 93 | 10,216 | 6,240 | 3,419 | 200 | - |
| 34 | 216 | 19 | 105 | 4 | - |
| - | - | - | - | - | - |
| 703 | 828 | 453 | 264 | 120 | - |
| 4 | 60 | 30 | 15 | 3 | - |
| 1 | 135,263 | 86,076 | 3 | 1 | - |
| 6 | 14,358 | 2,077 | 17 | - | - |
| 448 | 43,992 | 26,790 | 18,257 | 941 | - |
| - | 139,179 | 23,070 | - | - | - |
| 307 | 20,155 | 8,800 | 11,302 | 319 | - |
| <u>111,738</u> | <u>1,467,067</u> | <u>835,410</u> | <u>474,401</u> | <u>569,014</u> | <u>727,360</u> |
| 545 | 121,760 | 69,172 | 6,154 | 2,012 | - |
| <u>\$ 112,283</u> | <u>\$ 1,588,827</u> | <u>\$ 904,582</u> | <u>\$ 480,555</u> | <u>\$ 571,026</u> | <u>\$ 727,360</u> |
| <u>\$ 9,420</u> | <u>\$ 138,165</u> | <u>\$ 87,923</u> | <u>\$ 62,802</u> | <u>\$ 43,962</u> | <u>\$ 6,280</u> |

(continued)

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE TOTALS FOR 2009
(continued)

| | Outreach | Total for all Programs | Administration | Total Expenses | |
|---|-------------------|---------------------------|---------------------|---------------------|---------------------|
| | | | | 2010 | 2009 |
| Salaries | \$ 190,069 | \$ 3,295,979 | \$ 367,985 | \$ 3,663,964 | \$ 3,867,470 |
| Payroll taxes and other | 17,828 | 299,639 | 38,536 | 338,175 | 355,864 |
| Employee benefits | 13,815 | 435,390 | 53,466 | 488,856 | 473,148 |
| Total salaries and related expenses | <u>221,712</u> | <u>4,031,008</u> | <u>459,987</u> | <u>4,490,995</u> | <u>4,696,482</u> |
| Rent | 18,746 | 142,488 | - | 142,488 | 143,213 |
| Telephone | 2,897 | 46,524 | 8,837 | 55,361 | 53,043 |
| Office supplies | 129 | 8,474 | 399 | 8,873 | 12,697 |
| Insurance | 3,666 | 117,270 | 12,186 | 129,456 | 129,194 |
| Professional fees | 38 | 1,119,921 | 30,409 | 1,150,330 | 1,242,094 |
| Travel | - | 16,657 | 182 | 16,839 | 25,086 |
| Utilities | 3,970 | 147,573 | 7,886 | 155,459 | 171,183 |
| Repairs and maintenance | 1,907 | 73,351 | 4,108 | 77,459 | 126,791 |
| Data processing | 334 | 24,764 | 13,727 | 38,491 | 28,825 |
| Postage | 1,175 | 6,840 | 821 | 7,661 | 8,454 |
| Printing and reproduction | - | - | 2,671 | 2,671 | 4,290 |
| Auto and fuel | 120 | 3,688 | 243 | 3,931 | 2,478 |
| Equipment rental | 14 | 298 | 76 | 374 | 2,575 |
| Food | 1 | 245,951 | 139 | 246,090 | 267,739 |
| Medical supplies | 131 | 53,097 | 38,848 | 91,945 | 105,515 |
| Interest | 1,672 | 113,816 | 9,614 | 123,430 | 155,333 |
| Bad debts | - | 378,204 | - | 378,204 | 149,801 |
| Other | 20,335 | 69,918 | 31,643 | 101,561 | 83,374 |
| Total direct expense | <u>\$ 276,847</u> | <u>\$ 6,599,842</u> | <u>\$ 621,776</u> | <u>\$ 7,221,618</u> | <u>\$ 7,408,167</u> |
| Depreciation of building and equipment | 1,795 | 219,554 | 6,247 | 225,801 | 229,014 |
| Total expenses | <u>\$ 278,642</u> | <u>\$ 6,819,396</u> | <u>\$ 628,023</u> | <u>\$ 7,447,419</u> | <u>\$ 7,637,181</u> |
| Allocation of administration | <u>\$ 43,962</u> | <u>\$ 628,023</u> | <u>\$ (628,023)</u> | | |

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE TOTALS FOR 2009

| | 2010 | 2009 |
|---|--------------|--------------|
| Operating Cash Flows: | | |
| Cash received from public support and other revenues | \$ 7,010,551 | \$ 7,626,256 |
| Cash paid to employees and suppliers | (6,677,130) | (7,152,771) |
| Net rental income | (11,908) | 12,385 |
| Investment income | 666 | 2,082 |
| Interest paid | (141,276) | (138,354) |
| Income taxes paid | (1,858) | (5,686) |
| Net operating cash flows | 179,045 | 343,912 |
| Investing cash flows: | | |
| Purchase of property and equipment | (86,200) | (59,934) |
| Net investing cash flows | (86,200) | (59,934) |
| Financing cash flows: | | |
| Payment on mortgage | (57,156) | (53,190) |
| Net financing cash flows | (57,156) | (53,190) |
| Net increase in cash and cash equivalents | 35,689 | 230,788 |
| Cash and cash equivalents - beginning of year | 894,102 | 663,314 |
| Cash and cash equivalents - end of year | \$ 929,791 | \$ 894,102 |
| Reconciliation of Change in Net Assets to Operating Cash Flows | | |
| Change in net assets | \$ 170,848 | \$ 14,064 |
| Add: Depreciation expense | 242,417 | 235,905 |
| Bad debts | 378,204 | 149,801 |
| Change in: | | |
| Accounts receivable | (618,958) | (12,380) |
| Inventory | 80 | - |
| Prepaid expenses | (3,793) | (15,577) |
| Deposits | (67) | - |
| Accounts payable | 8,567 | (22,188) |
| Accrued expenses | 3,605 | (1,885) |
| Income taxes payable | (1,858) | (3,828) |
| Net operating cash flow | \$ 179,045 | \$ 343,912 |

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A – SUMMARY OF ACCOUNTING POLICIES

Nature of Organization

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

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

Promises to Give

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

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

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

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

If a restriction is fulfilled in the same period in which the contribution is received, the contribution is reported as unrestricted. As of June 30, 2010, all contributions are considered unrestricted.

Contributions

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

Cash and Cash Equivalents

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

The Foundation maintains its cash at a financial institution in Palm Beach County. The accounts are fully insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Under the FDIC's Transaction Account Guarantee Program (TAGP), all non-interest bearing deposits in excess of \$250,000 are also insured, and a fee of 0.10% of any of those balances over \$250,000 is charged as a service fee. In June 2010, the FDIC issued a final ruling to extend the TAGP component of the Temporary Liquidity Guarantee Program through December 31, 2010, with the possibility of an additional extension of up to twelve months, should the continuing economic difficulties warrant further extension. The financial institutions used by the Foundation participate in the program, therefore, at June 30, 2010, the Foundation's deposits were considered fully guaranteed.

Investments

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

Client Fees Receivable

Accounts receivable from clients are carried at amounts estimated to be realized by the Foundation based on past experience. The Foundation policy for bad debts is to write off the following items: any balances from accounts that have had no activity in the last twelve months, accounts of clients who no longer have contact addresses and accounts which are known to be in bankruptcy. Since there is normally a six month delay in collection from clients in residential treatment, the Foundation has implemented several new initiatives that better ensure the collectability of client fees. At June 30, 2010 the allowance for doubtful accounts was \$291,909.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Grant and Contract Receivable/Revenue

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

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

Land, Building and Equipment

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

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

Maintenance and repairs are charged to expense when incurred.

Donated Services and Rent

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

Inventory

The Foundation purchases office supplies, janitorial supplies, medical testing kits and medical supplies in bulk. The purchases are recorded in inventory at cost and charged to their respective departments, at cost, when removed from the store room. At June 30, 2010, total inventory was \$10,393.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is a not-for-profit corporation exempt from Federal income taxes under Internal Revenue Code of 1986 Section 501 (c) (3). Therefore, no income taxes are required to be paid on activities related to their mission. The Foundation holds rental property from which it collects unrelated rental income. Expenses related to the rental property are allocated as such and are not included in the functional expenses. Income taxes are due on net rental income. For the year ended June 30, 2010 the Foundation had no taxable income, and therefore no income tax expense.

Use of Estimates

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

Summarized Financial Information for 2009

The financial information for the year ended June 30, 2009, presented for comparative purposes, is not intended to be a complete financial statement presentation. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

NOTE B – LAND, BUILDING, AND EQUIPMENT

Property and equipment consists of the following at June 30:

| | <u>2010</u> | <u>2009</u> |
|--------------------------------|---------------------|---------------------|
| Land | \$ 325,000 | \$ 325,000 |
| Building | 3,969,701 | 3,969,701 |
| Building improvements | 701,617 | 679,368 |
| Furniture and equipment | 749,613 | 713,515 |
| Vehicles | <u>69,193</u> | <u>41,340</u> |
| Total | 5,815,124 | 5,728,924 |
| Less: accumulated depreciation | <u>3,012,480</u> | <u>2,770,064</u> |
| Net | <u>\$ 2,802,644</u> | <u>\$ 2,958,860</u> |

Depreciation expense for the years ended June 30, 2010 and 2009 was \$242,417 and \$235,905, respectively. These amounts represent a combination of amounts charged to both functional expenses and expenses of rental income.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE C – MORTGAGE NOTE PAYABLE

Mortgage payable consists of the following at June 30, 2010:

| | |
|--|---------------------|
| Mortgage note payable to Northern Trust dated February 1, 2007 due on February 1, 2017. Interest rate is 7.12% amortized over 20 years with monthly payments of \$16,535.97 until maturity. The loan is collateralized by real property, assignment of rents, and financing agreements thereon | \$ 1,925,569 |
| Less: current portion | <u>57,918</u> |
| | <u>\$ 1,867,651</u> |

The aggregate maturities of the mortgage payable subsequent to June 30, 2010 are as follows:

| | |
|------------|---------------------|
| 2011 | \$ 57,918 |
| 2012 | 67,634 |
| 2013 | 72,608 |
| 2014 | 77,951 |
| 2015 | 83,686 |
| Thereafter | <u>1,565,772</u> |
| | <u>\$ 1,925,569</u> |

The Foundation has an available line of credit with a bank that allows for borrowings up to \$250,000. Interest is payable at Northern Trust Bank’s floating prime rate. At June 30, 2010, the interest rate on this note was 3.25%. The amount outstanding on this line of credit was \$0 at June 30, 2010. The line of credit matured on December 16, 2010 and is collateralized by the assets of the Foundation. Interest expense for the year ended June 30, 2010 was \$123,430.

NOTE D – MATCHING REQUIREMENT

The Foundation received a portion of its support from the State of Florida under grant contract No. ID087 with the Department of Children and Families Alcohol, Drug Abuse and Mental Health Program. The contract must be renegotiated annually. Although a maximum amount is established during the negotiation process, income is earned on a reimbursement basis; that is, income can be recognized only to the extent of eligible services incurred.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE D – MATCHING REQUIREMENT (CONTINUED)

Contract ID087 requires a thirty-three percent (33%) local match for certain drug abuse prevention and treatment services. During the fiscal year ended June 30, 2010, the reimbursable services under this contract were as follows:

| <u>Reimbursable expenses</u> | |
|------------------------------|--------------|
| Total expenses | \$ 7,447,419 |
| Total funds requiring match | 2,794,714 |
| Required match | 931,571 |
| | 3,726,285 |
| Excess match (liability) | \$ 3,721,134 |

NOTE E – COMMITMENTS

The Foundation leases an office under a noncancellable operating lease agreement which expires on November 30, 2010. The lease is renewable annually. Future minimum annual lease commitments at June 30 are as follows:

| | | |
|------|----|-----------|
| 2010 | \$ | 42,630 |
| 2011 | | 17,763 |
| | | \$ 60,393 |

Rent expense for the year ended June 30, 2010 was \$142,488.

NOTE F – EMPLOYEE BENEFITS

In fiscal year 1995, the Foundation established a defined contribution benefit plan for its eligible employees and their beneficiaries under Internal Revenue Code Section 403 (b). All employees are eligible to participate in the plan after completing 1 year of service. The employer will contribute an amount equaling the employees' contribution up to 1.0% of the employees' annual salary for the first eligible year and increasing to a maximum of a 15% contribution on the 20th eligible year. Contributions by the Foundation were \$156,070 for the year ended June 30, 2010.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE G – MAJOR FUNDERS

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

| | June 30, | |
|---|--------------|--------------|
| | 2010 | 2009 |
| Dept of Children and Families | \$ 2,890,318 | \$ 2,813,096 |
| Sheriff of Palm Beach County (Service Contract Only) | 2,415,647 | 2,671,691 |

The Foundation receives approximately 69% of its funding from the above funders. A policy change at these agencies could have an adverse effect on operations.

NOTE H - STATE AND LOCAL SERVICE REVENUES

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

| | |
|---|--------------|
| Palm Beach County Community Justice Sheriff Department | \$ 99,858 |
| Substance Abuse Awareness Program | 2,446,308 |
| Drug Court | 36,496 |
| Comprehensive AIDS Program | 40,169 |
| Portal Service Revenue | 9,000 |
| Total | \$ 2,631,831 |

NOTE I – RELATED PARTY TRANSACTIONS

The Foundation has members of its Board of Directors that are associated with companies that the Foundation uses for legal, insurance, and banking purposes. During the year ended June 30, 2010 the Foundation paid \$936 for legal services and \$133,597 for insurance premiums to companies associated with members of the Board of Directors, in arms-length transactions.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE J – BED-DAY AVAILABILITY PAYMENTS

The Foundation received a portion of its support from the Federal Government and the State of Florida under grant contract number ID087 with the Department of Children and Families (DCF).

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

| <u>Costs</u> | | <u>Detox</u> |
|-----------------------------|----|--------------|
| A. Unit Cost | \$ | 240.42 |
| B. Available Bed Days | | 5,475 |
| C. Units paid by others | | 1,450 |
| D. Eligible units (B-C) | | 4,025 |
| E. Amount paid by DCF | \$ | 505,948 |
| F. Maximum value of C (AxD) | \$ | 967,690 |

Amount paid by others:

| | | |
|------------------------|----|---------|
| PBC Community Services | \$ | 348,521 |
| Unit rate | \$ | 240.42 |
| Unit equivalent | | 1,450 |

NOTE K – EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through November 11, 2010, the date which the financial statements were available to be issued.

SUPPLEMENTARY SCHEDULE

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2010

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Thru Grantor's Number | Expenditures (in thousands) |
|--|---------------------------|----------------------------------|--------------------------------|
| Federal Awards: | | | |
| U.S. Department of Health and Human Services | | | |
| Passed through State Government | | | |
| Florida Department of Children and Families: | | | |
| Alcohol, Drug Abuse and Mental Health Block Grant for Prevention and Treatment of Substance Abuse | 93.959 | ID087 | \$ 1,542 |
| Temporary Assistance for Needy Families Block Grant for Prevention and Treatment of Substance Abuse | 93.558 | ID087 | 183 |
| | 93.959 | IDZ03 | 52 |
| United States Department of Agriculture Food Distribution | 10.550 | | 60 |
| Total Expenditures of Federal Awards | | | \$ <u>1,837</u> |
| State Financial Assistance: | | | |
| Direct Projects | | | |
| Department of Children and Families | | | |
| Alcohol, Drug Abuse and Mental Health Block Grant for Prevention and Treatment of Substance Abuse | | | |
| Substance Abuse Treatment and Aftercare Services for Children | 60.030 | ID087 | \$ 523 |
| Substance Abuse Detoxification Services for Adults | 60.031 | ID087 | 234 |
| Substance Abuse Treatment and Aftercare Services for Adults | 60.033 | ID087 | 356 |
| Total State Financial Assistance | | | \$ <u>1,113</u> |

(continued)

See Auditor's Report

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2010
(continued)

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: SUBRECIPIENTS

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

See Auditor's Report

REQUIRED REPORTS

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Drug Abuse Foundation of Palm Beach County, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.
3. No instances of noncompliance material to the financial statements of Drug Abuse Foundation of Palm Beach County, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major Federal award programs and State projects are reported in the INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL.
5. The auditor's report on compliance for the major Federal and State award programs for Drug Abuse Foundation of Palm Beach County, Inc. expresses an unqualified opinion on all major Federal and State programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, are reported in this Schedule.
7. The programs tested as major programs include:
 - Federal Programs:
 - Alcohol, Drug Abuse, and Mental Health, CFDA Number 93.959.
 - State Programs:
 - Department of Children and Families Substance Abuse Services CSFA Numbers 60.030 and 60.033.
8. The threshold for distinguishing Types A and B programs was \$300,000 for Federal awards, and \$300,000 for State awards.
9. Drug Abuse Foundation of Palm Beach County, Inc. was determined to be a low-risk auditee.

(continued)

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010
(continued)

FINDINGS – FINANCIAL STATEMENTS AUDIT

None to note.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None to note.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

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

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

Viniar & Company

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT A. VINIAR, C.P.A.
LICENSED IN FL & NY

222 S. US HIGHWAY 1, STE 7
TEQUESTA, FL 33469
TEL: (561) 746-8550
FAX: (561) 746-3031
WWW.VINIARANDCOMPANY.COM

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

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

We have audited the financial statements of Drug Abuse Foundation of Palm Beach County, Inc., as of and for the year ended June 30, 2010, and have issued our report thereon dated November 11, 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 Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

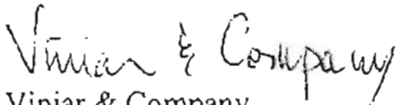
A deficiency in internal control exists when the design of operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or combination of significant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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Drug Abuse Foundation of Palm Beach County, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, 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 of the audit committee, management, Auditor General State of Florida, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


Viniar & Company
November 11, 2010

Viniar & Company
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT A. VINIAR, C.P.A.
LICENSED IN FL & NY

222 S. US HIGHWAY 1, STE 7
TEQUESTA, FL 33469
TEL: (561) 746-8550
FAX: (561) 746-3031
WWW.VINIARANDCOMPANY.COM

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

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

Compliance

We have audited the compliance of Drug Abuse Foundation of Palm Beach County, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the requirements described in the Department of Financial Services' State Projects Compliance Supplement that are applicable to each of its major federal program and state financial assistance project for the year ended June 30, 2010. Drug Abuse Foundation of Palm Beach County, Inc.'s major program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements referred to above is the responsibility of Drug Abuse Foundation of Palm Beach County, Inc.'s management. Our responsibility is to express an opinion on Drug Abuse Foundation of Palm Beach County, Inc.'s compliance based on our audit.

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

In our opinion, Drug Abuse Foundation of Palm Beach County, Inc. complied, in all material respects, with the compliance requirements referred to above that are applicable to its major federal program and state financial assistance project identified in the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2010.

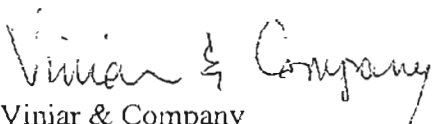
Internal Control Over Compliance

Management of Drug Abuse Foundation of Palm Beach County, Inc. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program or state financial assistance project in order 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. 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 Board of Directors, management 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.


Vinjar & Company
November 11, 2010

Viniar & Company

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT A. VINIAR, C.P.A.
LICENSED IN FL & NY

222 S. US HIGHWAY 1, STE. 7
TEQUESTA, FL 33469
TEL: (561) 746-8550
FAX: (561) 746-3031
WWW.VINIARANDCOMPANY.COM

STANDARD REPORT ON FINANCIAL STATEMENTS AND ON THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS ISSUED IN A SINGLE AUDIT, NON-PROFIT ORGANIZATION

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Drug Abuse Foundation of Palm Beach County, Inc., as of June 30, 2010, and the related statements of activities, cash flows, and functional expenses for the year ended June 30, 2010. These financial statements are the responsibility of the management of Drug Abuse Foundation of Palm Beach County, Inc. 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 2009 financial statements, and in our report dated October 2, 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 Drug Abuse Foundation of Palm Beach County, Inc., as of June 30, 2010, and the changes in its net assets, functional expenses, 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 our report dated November 11, 2010, on our consideration of Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 important for assessing the results of our audit.

November 11, 2010

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Drug Abuse Foundation of Palm Beach County, Inc., taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis or as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," 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, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Viniar & Company

Viniar & Company
November 11, 2010

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CERTIFIED PUBLIC ACCOUNTANTS

ROBERT A. VINIAR, C.P.A.
LICENSED IN FL & NY

222 S. US HIGHWAY 1, STE 7
TEQUESTA, FL 33469
TEL: (561) 746-8550
FAX: (561) 746-3031
WWW.VINIARANDCOMPANY.COM

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

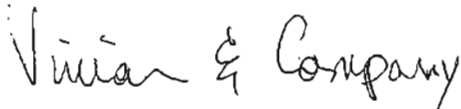
MANAGEMENT LETTER

We have audited the financial statements of Drug Abuse Foundation of Palm Beach County, Inc., as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated November 11, 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, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated November 11, 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 provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements or State project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, there were no matters required to be disclosed.

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



Viniar & Company
November 11, 2010