

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
FINANCIAL STATEMENTS AND SCHEDULES
AND REPORTS AS REQUIRED BY THE COMPTROLLER
GENERAL OF THE UNITED STATES OF AMERICA
YEAR ENDED JUNE 30, 2010

**SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
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YEAR ENDED JUNE 30, 2010**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Southwest Florida Addiction Services, Inc.
Fort Myers, Florida

We have audited the accompanying statement of financial position of Southwest Florida Addiction Services, Inc. ("SWFAS") 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 SWFAS's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 SWFAS 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 issued our report dated November 12, 2010, on our consideration of SWFAS'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.

Board of Directors
Southwest Florida Addiction Services, Inc.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of SWFAS taken as a whole. The supplementary information on pages 19 through 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance 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*, 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.

LarsonAllen LLP
LarsonAllen LLP

Fort Myers, Florida
November 12, 2010

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

CURRENT ASSETS

	2010
Cash and cash equivalents	\$ 2,046,256
Contracts and accounts receivable, net	1,200,913
Contributions receivable	95,705
Prepaid expenses	39,305
Total Current Assets	3,382,179

CONTRIBUTIONS RECEIVABLE, LESS CURRENT PORTION

737,802

PROPERTY AND EQUIPMENT, NET

11,643,352

OTHER ASSETS

228,278

Total Assets

\$ 15,991,611

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 390,087
Deferred revenue	187,226
Current maturities of mortgages payable	105,472
Total Current Liabilities	682,785

LONG-TERM LIABILITIES

Accrued compensated absences	224,914
Mortgages payable, net of current maturities	4,547,953
Total Long-term Liabilities	4,772,867

OTHER LIABILITIES

Derivative financial instrument (SWAP Agreement)	509,774
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Total Liabilities

5,965,426

NET ASSETS

Unrestricted	8,697,097
Temporarily restricted	1,309,088
Permanently restricted	20,000
Total net assets	10,026,185

Total Liabilities and Net Assets

\$ 15,991,611

See accompanying Notes to Financial Statements.

**SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

CHANGES IN UNRESTRICTED NET ASSETS

REVENUE

	2010
State ADM Grants	\$ 3,933,970
Other government funding	2,833,065
Contributions	162,376
Net client fee revenue	1,344,003
Interest income	264
Unrealized loss on derivative financial instrument	(147,092)
Gain on the sale of land held for investment	317,481
Other income	352,625
Total Unrestricted Revenue	8,796,692

NET ASSETS RELEASED FROM RESTRICTIONS

Satisfaction of program restrictions	104,229
Total Unrestricted Revenues and Other Support	8,900,921

EXPENSES

Program services	
Adult mental health	204,447
Adult substance abuse	5,666,082
Children's substance abuse	1,716,718
Other services	174,518
Total program services	7,761,765
Support services	
Administration and other support	1,155,173
Total Expenses	8,916,938

DECREASE IN UNRESTRICTED NET ASSETS (16,017)

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Contributions	26,312
Interest income	4,914
Net assets released from restrictions	(104,229)

DECREASE IN TEMPORARILY RESTRICTED NET ASSETS (73,003)

DECREASE IN NET ASSETS

(89,020)

NET ASSETS, beginning of year

10,115,205

NET ASSETS, end of year

\$ 10,026,185

See accompanying Notes to Financial Statements.

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010

	Program Services				Supporting Services	Total
	Adult Mental Health	Adult Substance Abuse	Children's Substance Abuse	Other Services	Administration and Other Support	
Personnel Expenses						
Salaries	\$ 81,136	\$ 2,853,909	\$ 893,873	\$ 89,818	\$ 638,400	\$ 4,557,136
Fringe benefits	23,531	836,686	277,033	27,374	212,027	1,376,651
Total Personnel Expenses	<u>104,667</u>	<u>3,690,595</u>	<u>1,170,906</u>	<u>117,192</u>	<u>850,427</u>	<u>5,933,787</u>
Operating Expenses						
Building occupancy	29,726	523,705	148,065	14,008	48,180	763,684
Professional services	-	23,400	-	-	99,757	123,157
Travel	601	34,077	11,246	1,745	2,676	50,345
Equipment cost	10,334	235,661	57,708	7,923	42,558	354,184
Food service	10,808	210,996	69,756	10	5,969	297,539
Medicine and pharmacy	10,240	251,042	29,404	15	5,797	296,498
Subcontracted services	11,167	105,053	34,622	22,860	4,985	178,687
Insurance	1,657	79,631	31,376	2,797	21,617	137,078
Interest	-	158,851	7,613	-	24,163	190,627
Operating supplies and expenses	5,148	150,326	43,883	7,968	49,044	256,369
Loss on asset disposal	20,099	74,771	-	-	-	94,870
Donated items	-	127,974	112,139	-	-	240,113
Total Operating Expenses	<u>99,780</u>	<u>1,975,487</u>	<u>545,812</u>	<u>57,326</u>	<u>304,746</u>	<u>2,983,151</u>
Indirect Expenses						
Administration and other support	24,243	842,343	263,434	25,153	(1,155,173)	-
Total indirect expenses	<u>22,691</u>	<u>842,343</u>	<u>249,988</u>	<u>25,119</u>	<u>(1,155,173)</u>	<u>(15,032)</u>
Total Expenses	<u>\$ 204,447</u>	<u>\$ 5,666,082</u>	<u>\$ 1,716,718</u>	<u>\$ 174,518</u>	<u>\$ -</u>	<u>\$ 8,916,938</u>

See accompanying Notes to Financial Statements.

**SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from contracts, client fees and donations	\$ 8,129,660
Cash payments for program and support services	(8,174,407)
Cash received for interest	5,178
Cash payments for interest	<u>(190,627)</u>
Net cash used in operating activities	<u>(230,196)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from the sale of land held for investment	394,737
Capital expenditures	<u>(185,577)</u>
Net cash provided by investing activities	<u>209,160</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from capital grants	72,729
Contributions restricted for capital projects	212,584
Principal payments on long-term debt	<u>(123,134)</u>
Net cash provided by financing activities	<u>162,179</u>

NET INCREASE IN CASH

141,143

CASH AND CASH EQUIVALENTS, beginning of year

1,905,113

CASH AND CASH EQUIVALENTS, end of year

\$ 2,046,256

See accompanying Notes to Financial Statements.

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2010

**RECONCILIATION OF CHANGES IN NET ASSETS
TO NET CASH USED IN OPERATING
ACTIVITIES**

Decrease in net assets	\$ (89,020)
Adjustments to reconcile changes in net assets to net cash used in operating activities	
Depreciation	437,443
Amortization of loan issuance costs	2,475
Loss on disposal of fixed assets	94,870
Loss on derivative financial instrument	147,092
Gain on sale of land held for investment	(317,481)
Capital grants	(72,729)
Contributions restricted for capital projects	(212,584)
Pledges for capital projects	218,720
(Increase) Decrease in:	
Contracts and accounts receivable	(472,139)
Prepaid expenses	13,597
Other assets	(1,415)
Increase (Decrease) in:	
Accounts payable and accrued expenses	11,954
Accrued compensated absences	(7,020)
Deferred revenue	16,041
Total adjustments	(141,176)
NET CASH USED IN OPERATING ACTIVITIES	\$ (230,196)

See accompanying Notes to Financial Statements.

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Southwest Florida Addiction Services, Inc. ("SWFAS") is a not-for-profit corporation formed to provide the citizens of Lee County, Florida, and surrounding counties, quality, affordable, comprehensive services to individuals, families and the community impacted by addiction and other problem behaviors. SWFAS's support comes primarily from state and local government grants.

Significant Accounting Policies

The accounting and reporting policies of SWFAS conform to generally accepted accounting principles in the United States, and are in accordance with the Audit and Accounting Guide issued by the American Institute of Certified Public Accountants, Not-for-Profit Organizations. A summary of the significant accounting policies followed by SWFAS is set forth below.

Basis of Accounting

SWFAS prepares its financial statements on the accrual basis of accounting. Grant revenues are recorded as support when performance occurs under the terms of the grant agreement. Grant revenue includes all resources received from another entity in accordance with a contract, entitlement, or grant document.

The cost of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. Salaries and other expenses that are associated with a specific program are charged directly to that program. Salaries and other expenses, which benefit more than one program, are allocated to the various programs based on the relative benefit provided. Administrative expenses are allocated to the various programs based on each program's salary expense.

Recognition of Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. SWFAS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 reported in the statement of activities as net assets released from restrictions. Should SWFAS not be able to comply with donor stipulations, the cash or other assets would have to be returned to the donor. Restricted contributions received and expended for their restricted purpose within the fiscal year are recorded as unrestricted in these financial statements.

SWFAS reports gifts of land, buildings, and equipment as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets, with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent any explicit donor stipulations about how long those long-lived assets must be maintained, SWFAS reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Concentrations

SWFAS extends credit to its clients when it provides services. The credit is extended either directly to SWFAS's clients or indirectly to the funding sources that provide SWFAS's revenue. The concentrations of credit are reflected in Note 2 to the financial statements.

At times, SWFAS has cash balances on deposit with financial institutions in excess of FDIC insurance limits of \$250,000.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposits, and all highly liquid debt instruments with original maturities of 3 months or less.

Contracts and Accounts Receivable

Contracts and accounts receivables are unsecured, and are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, Medicaid/Medicare, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair market value on the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Maintenance, repairs, and minor renewals are charged to activities in the year in which the expense is incurred. Additions, improvements, and major renewals are capitalized.

The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gain or loss is included in activities. Disposition of items acquired from certain state contracts require state approval.

Compensated Absences

Employees accumulate vacation leave based on the employee's years of service. Vacation leave may not be accumulated in excess of 240 hours. Upon termination of employment, the employee will be paid for the amount of this accumulated leave.

Employees may also accumulate sick leave. Sick leave may not be accumulated in excess of 240 hours. Upon termination of employment, the employee does not receive a pay out of sick leave.

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Income Taxes

The Internal Revenue Service has determined that SWFAS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. SWFAS is a not-for-profit Florida corporation and, therefore, is not subject to state income taxes. Should that status be challenged in the future, SWFAS's 2008, 2009 and 2010 tax years are open for examination by the IRS.

SWFAS adopted the income tax standard for uncertain tax provisions on July 1, 2009. As a result of the implementation, SWFAS has evaluated its tax position and has determined it has no uncertain tax positions as of June 30, 2010.

Donated Goods and Services

Donated goods and specialized services are recorded at estimated market value at the date of receipt. Many individuals volunteer their time and a variety of tasks that assist SWFAS in various ways, which are not directly reflected in the financial statements.

Deferred Revenue

Amounts received, but not yet earned, relating to *Employee Assistance Program* contracts, *PATH Programs*, and any prepaid client or patient fees, are reported as deferred revenue.

Fair Value of Financial Instruments

SWFAS measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). SWFAS may use valuation techniques consistent with the market, income, and cost approaches to measure fair value.

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

**NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fair Value Measurements

The inputs used to measure fair value are categorized into the following three categories:

Level 1

Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds that SWFAS has the ability to access as of the measurement date.

Level 2

Inputs, other than quoted prices, which are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3

Inputs which are unobservable. Unobservable inputs reflect SWFAS's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. SWFAS adopted the policy to value certain financial instruments at fair value. SWFAS has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, SWFAS has evaluated events and transactions for potential recognition or disclosure through November 12, 2010, the date the financial statements were available to be issued.

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 CONTRACTS AND ACCOUNTS RECEIVABLE

Contracts and accounts receivable consist of the following at June 30, 2010:

Contracts Receivable	
Lee County	\$ 110,008
State of Florida, Department of Children & Families	473,912
Other	215,925
	799,845
Accounts Receivable	
Self-Pay and Insurance	925,140
Medicaid and Medicare	63,472
	988,612
Less Allowance for Doubtful Accounts	(587,544)
	401,068
Total Contracts and Accounts Receivable	\$ 1,200,913

NOTE 3 CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are recognized as support in the period in which the pledge is received. Pledges were receivable in connection with the capital campaign to raise funds for the construction of a new combined detox, outpatient treatment and administrative facility located in Fort Myers, Florida. Amounts not expected to be collected within one year have been discounted to their fair value. The discount rate used was approximately 3.99%. Also included is an amount attributed to the fair value of the land lease provided by the City of Fort Myers for the location of the new combined facility.

Included in pledges receivable at June 30, 2010 are the following unconditional promises to give:

Unconditional Promises to Give Before	
Unamortized Discount	\$ 137,871
Less: Unamortized Discount	(8,534)
	129,337
Contribution Receivable - Fair Value of Land Lease	704,170
	\$ 833,507
Amounts Due In:	
Less Than One Year	\$ 95,705
One to Three Years	92,312
More than Three Years	645,490
	\$ 833,507

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2010:

Land	\$ 339,500
Buildings and improvements	12,354,790
Furniture and Equipment	812,311
Computers and software	324,079
Vehicles	176,197
Construction in process	105,382
Leasehold improvements	<u>75,031</u>
	14,187,290
Less: Accumulated depreciation	<u>(2,543,938)</u>
	<u><u>\$ 11,643,352</u></u>

Depreciation expense was \$437,443 for the year ended June 30, 2010, of which \$302,850 and \$134,593, respectively, is reported in building occupancy and equipment costs in the statement of functional expenses.

NOTE 5 MORTGAGES PAYABLE

Mortgages payable consist of the following at June 30, 2010:

Bonds payable to a financial institution, bearing variable interest at 6.37% of the one month LIBOR rate plus 1.17%, with monthly payments of \$23,914, including interest, due February 2039, collateralized by the Detox & Administration Facility real estate carried at \$6,948,126 at June 30, 2010. SWFAS has entered an interest rate swap agreement for \$4.2 million of this obligation. The effective date of the swap was February 1, 2009. (See Note 7)	\$ 4,627,403
Mortgage note payable to a financial institution, bearing fixed interest at 6.875%, monthly payments of \$2,320, including interest, due October 2013, collateralized by the Transitional Living Facility real estate carried at \$3,163,648 at June 30, 2009.	<u>26,022</u>
	4,653,425
Less: Current maturities	<u>(105,472)</u>
	<u><u>\$ 4,547,953</u></u>

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 MORTGAGES PAYABLE (CONTINUED)

Scheduled annual principal payments are as follows:

Year Ending June 30,	
2011	\$ 105,472
2012	83,481
2013	87,121
2014	91,124
2015	95,310
Thereafter	4,190,917
	\$ 4,653,425

The bond purchase and construction financing agreements contain covenants pertaining to the maintenance of working capital and unrestricted net assets. SWFAS is required to maintain a Debt Coverage Ratio equal to or exceeding 1.00 to 1.00 at the end of each fiscal year. In addition, SWFAS must maintain unrestricted net assets of at least \$7,000,000 at all times. At June 30, 2010, SWFAS was in compliance with these covenants.

Construction of a new building at the Transitional Living Center is being funded, in part, by State Housing Initiatives Partnership (SHIP) grants. By terms of the SHIP grant, a subordinate mortgage was placed on this property in the amount of \$463,167. The mortgage is zero interest, deferred payment, non-amortizing. All rental and special needs housing must be rented at affordable rates to qualified applicants for a period of fifteen years. If the property is transferred before the fifteen-year affordability period, the full amount of the mortgage will be due to the SHIP Trust Fund.

NOTE 6 LINES OF CREDIT

At June 30, 2010, the Agency had an unused line of credit with Bank of America, in the amount of \$750,000, to be drawn upon as needed for operations. The operating line of credit bears interest at LIBOR plus 2.5%, with a renewal date of January 31, 2011. The line of credit is collateralized by accounts receivable and equipment.

NOTE 7 DERIVATIVE FINANCIAL INSTRUMENT

SWFAS holds a derivative financial instrument for the purpose of managing the risk associated with interest rates on its variable rate borrowing. SWFAS entered an interest rate swap agreement in connection with the Series 2007A Bonds discussed above (See Note 5). The notional amount of the swap agreement is \$4,158,338 million at June 30, 2010. The effective date of this agreement was February 1, 2009, at which time \$4,250,000 million of the variable rate debt was converted to a fixed rate of 4.50%. The fair value of this agreement is \$509,774 and is reported in other liabilities in the statement of financial position. Changes in the fair value of derivatives are reported in the statement of activities.

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8 FAIR VALUE MEASUREMENTS

SWFAS uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how SWFAS values all other assets and liabilities refer to Note 1 – Nature of Organization and Significant Accounting Policies.

The interest rate swap is measured at fair value on a recurring basis at June 30, 2010 as follows:

	Level 1	Level 2	Level 3
Interest rate swap	\$ -	\$ 509,774	\$ -

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Vince Smith Center	\$ 100,587
Prevention	142,138
Transitional Living Center	8,678
Land Lease	704,170
Other programs	353,515
	\$ 1,309,088

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Transitional Living Center	40,162
Land Lease	29,340
Prevention	11,617
Vince Smith Center	1,706
Other programs	21,404
	\$ 104,229

NOTE 10 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support any activities of the organization.

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair values for SWFAS's financial instruments, all of which are held for non-trading purposes, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Noncurrent contributions receivable	\$ 737,802	\$ -
Interest rate swap agreement	\$ 509,774	\$ 509,774
Long-term debt	\$ 4,547,953	\$ 4,547,953

SWFAS has not calculated the fair value of noncurrent contributions receivable at June 30, 2010, because it was determined not to be practicable. The fair value for the interest rate swap agreement and long-term debt does not differ materially from the carrying values recorded in the accompanying balance sheet. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and, accordingly the estimates are not necessarily indicative of the amounts that SWFAS could realize in a current market exchange.

NOTE 12 PENSION PLAN

SWFAS offers its employees a defined contribution pension plan. The Plan covers substantially all employees subject to a minimum employment requirement. Vesting of benefits accrues at the rate of 20% per year. Total contributions to the Plan for the year ended June 30, 2010 were \$231,225.

NOTE 13 SUPPORT FROM THE STATE OF FLORIDA WHICH REQUIRES MATCH

During the year ended June 30, 2010, SWFAS received support from the State of Florida Department of Children and Families. Contracts are renegotiated annually. The income from these contracts is earned by providing services to clients. The contracts required a local match of \$445,506 in 2010 for certain program services.

SWFAS incurred and funded allowable program costs in excess of these match requirements.

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 14 SUPPORT FROM LEE COUNTY, FLORIDA

During the year ended June 30, 2010, SWFAS received support from Lee County under various contracts as presented below:

<u>Contract #</u>	<u>Contract Award</u>	<u>Revenue Earned</u>
3196	\$ 536,946	\$ 32,537
4447	87,534	5,658
4565	392,165	33,362
4571	1,675,498	280,867
4764	48,469	39,177
4834	119,737	77,034
4852	22,500	6,805
4886	87,534	79,529
4958	1,675,498	1,436,705
4961	392,165	385,780
4989	35,000	35,000
5041	22,500	21,572
5130	119,736	41,198
5163	48,469	7,159
C-5051	463,167	25,184

NOTE 15 COMMITMENTS AND CONTINGENCIES

SWFAS is currently receiving, and has received in the past, grants, Medicaid funds and Medicare funds, which are subject to special compliance audits by the grantor agencies. These audits may result in disallowed expense amounts. Disallowed amounts, if any, constitute a contingent liability to SWFAS. Management does not believe any resulting contingent liabilities would be material to the financial position of SWFAS.

In April of 2010, SWFAS entered into a contract for the demolition of an existing house and the new construction of a residential structure at the Transitional Living Center. Per the contract, construction is to be completed in December of 2010. SWFAS has incurred, and expended, approximately \$81,000 in costs on the job through June 30, 2010. The total contract amount is \$444,336, to be billed to SWFAS on a monthly basis as work is performed.

SWFAS leases certain items of equipment and office space under various non-cancelable operating leases. The future minimum lease payments under these leases are as follows:

<u>Year Ending June 30,</u>	
2011	\$ 42,456
2012	26,239
2013	4,563
	<u>\$ 73,258</u>

Rental expense was \$89,106 for the year ended June 30, 2010.

SUPPLEMENTARY INFORMATION

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
SCHEDULE OF REVENUES BY COST CENTER
YEAR ENDED JUNE 30, 2010

	ADULT MENTAL HEALTH							
STATE ADM FUNDING	Case Management	Incidental Expenses	Assessments	Medical Services	Outpatient Individual	Outreach	Supported Employment	Supported Housing
100610-20-2-401001-39A18 (TANF)	\$ 4,095	\$ -	\$ 659	\$ -	\$ 3,464	\$ -	\$ 1,450	\$ 4,654
101350-10-1-000326-19M18	-	-	-	-	-	11,120	-	-
100610-20-2-261015-GX018	30,722	3,390	8,536	5,518	23,894	-	11,906	18,688
101350-10-1-000326-19M18 (IDP)	-	-	-	4,722	-	-	-	-
100420-20-2-027005-27CHV	-	-	-	-	-	-	-	-
100420-10-1-000326-27ME3	-	-	-	-	-	-	-	-
100420-20-2-027005-27PR2	-	-	-	-	-	-	-	-
100420-20-2-401001-39TC1 (TANF)	-	-	-	-	-	-	-	-
100618-10-1-000326-27G5	-	-	-	-	-	-	-	-
100618-10-1-000326-27G7	-	-	-	-	-	-	-	-
100618-20-2-027005-27AD7	-	-	-	-	-	-	-	-
100618-20-2-027005-27HIV	-	-	-	-	-	-	-	-
100618-20-2-122023-27ME5	-	-	-	-	-	-	-	-
100618-20-2-027005-27PR6	-	-	-	-	-	-	-	-
100618-20-2-027005-27WOM	-	-	-	-	-	-	-	-
100610-10-1-000326-ADDEX	-	-	-	-	-	-	-	-
100618-10-1-000326-27ME7	-	-	-	-	-	-	-	-
100610-10-1-000326-ADTRT	-	-	-	-	-	-	-	-
1004618-20-2-401001-39TC0 (TANF)	-	-	-	-	-	-	-	-
100618-10-1-000326-DPG8	-	-	-	-	-	-	-	-
Total state ADM funding	<u>34,817</u>	<u>3,390</u>	<u>9,195</u>	<u>10,240</u>	<u>27,358</u>	<u>11,120</u>	<u>13,356</u>	<u>23,342</u>
OTHER GOVERNMENT FUNDING								
Other state funding	-	-	-	-	-	-	-	-
Medicaid	-	-	-	-	-	-	-	-
Local government	-	-	-	-	-	-	-	-
Federal grants and contracts	<u>16,263</u>	<u>-</u>	<u>4,884</u>	<u>-</u>	<u>11,856</u>	<u>6,024</u>	<u>6,328</u>	<u>10,644</u>
Total other government funding	<u>16,263</u>	<u>-</u>	<u>4,884</u>	<u>-</u>	<u>11,856</u>	<u>6,024</u>	<u>6,328</u>	<u>10,644</u>
ALL OTHER FUNDING AND REVENUE								
First and third party fees Medicare	7,683	-	2,307	-	5,601	2,846	2,990	5,029
Contributions and donations	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	2,729	-	820	-	1,990	1,011	1,062	1,786
In-kind	-	-	-	-	-	-	-	-
Total nongovernmental funding	<u>10,412</u>	<u>-</u>	<u>3,127</u>	<u>-</u>	<u>7,591</u>	<u>3,857</u>	<u>4,052</u>	<u>6,815</u>
Total all funding and revenues	<u>\$ 61,492</u>	<u>\$ 3,390</u>	<u>\$ 17,206</u>	<u>\$ 10,240</u>	<u>\$ 46,805</u>	<u>\$ 21,001</u>	<u>\$ 23,736</u>	<u>\$ 40,801</u>

(continued)

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
SCHEDULE OF REVENUES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2010

ADULT SUBSTANCE ABUSE

	Residential Level 4	Residential Level 1	Aftercare	Day/Night	Medical Services	Residential Detox	Outpatient Individual	Case Management
STATE ADM FUNDING								
100610-20-2-401001-39A18 (TANF)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
101350-10-1-000326-19M18	-	-	-	-	-	-	-	-
100610-20-2-261015-GX018	-	-	-	-	-	-	-	-
101350-10-1-000326-19M18 (IDP)	-	-	-	-	-	-	-	-
100420-20-2-027005-27CHV	-	-	-	-	-	-	-	-
100420-10-1-000326-27ME3	-	-	-	-	-	-	-	-
100420-20-2-027005-27PR2	-	-	-	-	-	-	-	-
100420-20-2-401001-39TC1 (TANF)	-	-	-	-	-	-	-	-
100618-10-1-000326-270G5	-	-	-	-	-	50,198	-	-
100618-10-1-000326-270G7	-	-	-	-	-	-	-	-
100618-20-2-027005-27AD7	27,185	45,473	-	-	-	-	-	-
100618-20-2-027005-27HIV	-	-	-	-	-	-	7,608	-
100618-20-2-122023-27ME5	-	-	-	-	-	812,611	-	-
100618-20-2-027005-27PR6	-	-	-	-	-	-	-	-
100618-20-2-027005-27WOM	-	-	14,563	-	-	-	-	99,121
100610-10-1-000326-ADDEX	-	-	-	-	-	81,720	-	-
100618-10-1-000326-27ME7	148,992	113,702	46,706	24,137	23,341	-	288,890	162,905
100610-10-1-000326-ADTRT	-	101,995	-	-	-	-	-	-
1004618-20-2-401001-39TC0 (TANF)	-	161,020	-	-	-	-	14,627	1,654
100618-10-1-000326-DPG8	-	-	-	-	-	-	-	-
Total state ADM funding	<u>176,177</u>	<u>422,190</u>	<u>61,269</u>	<u>24,137</u>	<u>23,341</u>	<u>944,529</u>	<u>311,125</u>	<u>263,680</u>
OTHER GOVERNMENT FUNDING								
Other state funding	35,000	-	-	-	-	72,729	6,401	-
Medicaid	-	-	-	-	-	200	22,598	-
Local government	107,865	355,088	46,336	-	-	666,683	425,349	141,000
Federal grants and contracts	<u>171,987</u>	<u>-</u>	<u>36,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other government funding	<u>314,852</u>	<u>355,088</u>	<u>82,673</u>	<u>-</u>	<u>-</u>	<u>739,612</u>	<u>454,348</u>	<u>141,000</u>
ALL OTHER FUNDING AND REVENUE								
First and third party fees Medicare	81,253	165,784	17,167	16,732	-	338,944	346,067	115,000
Contributions and donations	-	-	940	-	-	91,740	-	-
Interest	-	-	-	-	-	-	-	-
Other	28,862	10,401	6,098	82	-	15,055	3,746	985
In-kind	<u>28,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,890</u>	<u>-</u>	<u>-</u>
Total nongovernmental funding	<u>138,199</u>	<u>176,185</u>	<u>24,205</u>	<u>16,814</u>	<u>-</u>	<u>545,629</u>	<u>349,813</u>	<u>115,985</u>
Total all funding and revenues	<u>\$ 629,228</u>	<u>\$ 953,463</u>	<u>\$ 168,147</u>	<u>\$ 40,951</u>	<u>\$ 23,341</u>	<u>\$ 2,229,770</u>	<u>\$ 1,115,286</u>	<u>\$ 520,665</u>

(continued)

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
SCHEDULE OF REVENUES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2010

	ADULT SUBSTANCE ABUSE				CHILDREN SUBSTANCE ABUSE			
	Incidental	Intervention HIV	Outreach	Prevention	Prevention	Outpatient Individual	Outreach	Aftercare
STATE ADM FUNDING								
100610-20-2-401001-39A18 (TANF)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
101350-10-1-000326-19M18	-	-	-	-	-	-	-	-
100610-20-2-261015-GX018	-	-	-	-	-	-	-	-
101350-10-1-000326-19M18 (IDP)	-	-	-	-	-	-	-	-
100420-20-2-027005-27CHV	-	-	-	-	-	-	-	-
100420-10-1-000326-27ME3	-	-	-	-	-	203,130	99,935	3,374
100420-20-2-027005-27PR2	-	-	-	-	139,608	-	-	-
100420-20-2-401001-39TC1 (TANF)	-	-	-	-	-	-	-	-
100618-10-1-000326-27OG5	-	-	-	-	-	-	-	-
100618-10-1-000326-27OG7	-	-	103,044	-	-	-	-	-
100618-20-2-027005-27AD7	-	-	-	-	-	-	-	-
100618-20-2-027005-27HIV	-	36,722	-	-	-	-	-	-
100618-20-2-122023-27ME5	-	-	-	-	-	-	-	-
100618-20-2-027005-27PR6	-	-	-	198,330	-	-	-	-
100618-20-2-027005-27WOM	-	-	-	-	-	15,498	-	-
100610-10-1-000326-ADDEX	-	-	-	-	-	-	-	-
100618-10-1-000326-27ME7	33,812	-	-	-	-	-	-	-
100610-10-1-000326-ADTRT	-	-	-	-	-	-	-	-
1004618-20-2-401001-39TC0 (TANF)	-	-	-	-	-	-	-	-
100618-10-1-000326-DPG8	-	-	7,205	-	-	-	-	-
Total state ADM funding	<u>33,812</u>	<u>36,722</u>	<u>110,249</u>	<u>198,330</u>	<u>139,608</u>	<u>218,628</u>	<u>99,935</u>	<u>3,374</u>
OTHER GOVERNMENT FUNDING								
Other state funding	-	-	-	150,000	-	(45,436)	-	-
Medicaid	-	-	-	-	-	1,636	-	-
Local government	-	-	-	70,328	-	62,091	-	-
Federal grants and contracts	-	-	-	-	-	-	-	-
Total other government funding	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,328</u>	<u>-</u>	<u>18,291</u>	<u>-</u>	<u>-</u>
ALL OTHER FUNDING AND REVENUE								
First and third party fees Medicare	-	-	-	6,891	-	14,196	-	-
Contributions and donations	-	-	-	-	-	45,260	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	15,407	-	3,048	-	-
In-kind	-	-	-	-	-	-	-	-
Total nongovernmental funding	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,298</u>	<u>-</u>	<u>62,504</u>	<u>-</u>	<u>-</u>
Total all funding and revenues	<u>\$ 33,812</u>	<u>\$ 36,722</u>	<u>\$ 110,249</u>	<u>\$ 440,956</u>	<u>\$ 139,608</u>	<u>\$ 299,423</u>	<u>\$ 99,935</u>	<u>\$ 3,374</u>

(continued)

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
SCHEDULE OF REVENUES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2010

	CHILDREN SUBSTANCE ABUSE					Other	Total ADM	Non-ADM	Total All Cost Centers
	Incidental	Medical Services	Crisis Support	Residential Level 2	Day/Night	Various Sources			
STATE ADM FUNDING									
100610-20-2-401001-39A18 (TANF)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,322	\$ -	\$ 14,322
101350-10-1-000326-19M18	-	-	-	-	-	-	11,120	-	11,120
100610-20-2-261015-GX018	-	-	-	-	-	-	102,654	-	102,654
101350-10-1-000326-19M18 (IDP)	-	-	-	-	-	-	4,722	-	4,722
100420-20-2-027005-27CHV	-	-	-	4,761	-	-	4,761	-	4,761
100420-10-1-000326-27ME3	-	14,320	46,399	648,448	4,482	-	1,020,088	-	1,020,088
100420-20-2-027005-27PR2	-	-	-	-	-	-	139,608	-	139,608
100420-20-2-401001-39TC1 (TANF)	-	-	-	15,636	-	-	15,636	-	15,636
100618-10-1-000326-27OG5	-	-	-	-	-	-	50,198	-	50,198
100618-10-1-000326-27OG7	-	-	-	-	-	-	103,044	-	103,044
100618-20-2-027005-27AD7	-	-	-	-	-	-	72,658	-	72,658
100618-20-2-027005-27HIV	-	-	-	-	-	-	44,330	-	44,330
100618-20-2-122023-27ME5	-	-	-	-	-	-	812,611	-	812,611
100618-20-2-027005-27PR6	-	-	-	-	-	-	198,330	-	198,330
100618-20-2-027005-27WOM	-	-	-	-	-	-	129,182	-	129,182
100610-10-1-000326-ADDEX	-	-	-	-	-	-	81,720	-	81,720
100618-10-1-000326-27ME7	-	-	-	-	-	-	842,485	-	842,485
100610-10-1-000326-ADTRT	-	-	-	-	-	-	101,995	-	101,995
1004618-20-2-401001-39TC0 (TANF)	-	-	-	-	-	-	177,301	-	177,301
100618-10-1-000326-DPG8	-	-	-	-	-	-	7,205	-	7,205
Total state ADM funding	-	14,320	46,399	668,845	4,482	-	3,933,970	-	3,933,970
OTHER GOVERNMENT FUNDING									
Other state funding	-	-	-	-	-	-	-	218,694	218,694
Medicaid	-	-	195	-	-	-	-	24,629	24,629
Local government	-	-	176,536	233,990	-	-	-	2,285,266	2,285,266
Federal grants and contracts	-	-	-	40,153	-	-	-	304,476	304,476
Total other government funding	-	-	176,731	274,143	-	-	-	2,833,065	2,833,065
ALL OTHER FUNDING AND REVENUE									
First and third party fees Medicare	-	-	(10,417)	63,170	-	162,760	-	1,344,003	1,344,003
Contributions and donations	-	-	-	-	-	50,748	-	188,688	188,688
Interest	-	-	-	-	-	5,178	-	5,178	5,178
Other	-	-	2,809	5,366	-	11,254	-	112,511	112,511
In-kind	-	-	-	112,140	-	-	-	240,114	240,114
Total nongovernmental funding	-	-	(7,608)	180,676	-	229,940	-	1,890,494	1,890,494
Total all funding and revenues	\$ -	\$ 14,320	\$ 215,522	\$ 1,123,664	\$ 4,482	\$ 229,940	\$ 3,933,970	\$ 4,723,559	\$ 8,657,529

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
SCHEDULE OF EXPENSES BY COST CENTER
YEAR ENDED JUNE 30, 2010

	ADULT MENTAL HEALTH						
	Case Management	Assessments	Medical Services	Outpatient Individual	Outreach	Supported Employment	Supported Housing
PERSONNEL EXPENSES							
Salaries	\$ 23,563	\$ 7,077	\$ -	\$ 17,178	\$ 8,727	\$ 9,169	\$ 15,422
Fringe benefits	6,834	2,052	-	4,982	2,531	2,659	4,473
Total personnel expenses	<u>30,397</u>	<u>9,129</u>	<u>-</u>	<u>22,160</u>	<u>11,258</u>	<u>11,828</u>	<u>19,895</u>
OPERATING EXPENSES							
Building occupancy	8,633	2,593	-	6,294	3,197	3,359	5,650
Professional services	-	-	-	-	-	-	-
Travel	175	52	-	127	65	68	114
Equipment cost	3,001	901	-	2,188	1,112	1,168	1,964
Food service	3,139	943	-	2,288	1,163	1,221	2,054
Medicine and pharmacy	-	-	10,240	-	-	-	-
Subcontracted services	3,243	974	-	2,364	1,201	1,262	2,123
Insurance	481	144	-	351	178	187	316
Interest	-	-	-	-	-	-	-
Operating supplies and expenses	1,495	449	-	1,090	554	582	978
Loss on asset disposal	5,837	1,753	-	4,255	2,162	2,271	3,821
Donated items	-	-	-	-	-	-	-
Total Operating Expenses	<u>26,004</u>	<u>7,809</u>	<u>10,240</u>	<u>18,957</u>	<u>9,632</u>	<u>10,118</u>	<u>17,020</u>
INDIRECT EXPENSES							
Administration and other support	7,020	2,108	70	5,118	2,600	2,732	4,595
Total indirect expenses	<u>6,590</u>	<u>1,979</u>	<u>-</u>	<u>4,804</u>	<u>2,441</u>	<u>2,564</u>	<u>4,313</u>
Total expenses	<u>\$ 62,991</u>	<u>\$ 18,917</u>	<u>\$ 10,240</u>	<u>\$ 45,921</u>	<u>\$ 23,331</u>	<u>\$ 24,510</u>	<u>\$ 41,228</u>

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
SCHEDULE OF EXPENSES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2010

ADULT SUBSTANCE ABUSE

	Residential Level 4	Residential Level 1	Aftercare	Day/Night	Residential Detox	Outpatient Individual	Case Management
PERSONNEL EXPENSES							
Salaries	\$ 249,190	\$ 413,633	\$ 52,648	\$ 18,638	\$ 1,090,713	\$ 535,930	\$ 186,128
Fringe benefits	<u>72,267</u>	<u>125,629</u>	<u>15,268</u>	<u>9,105</u>	<u>298,559</u>	<u>163,873</u>	<u>56,913</u>
Total personnel expenses	<u>321,457</u>	<u>539,262</u>	<u>67,916</u>	<u>27,743</u>	<u>1,389,272</u>	<u>699,803</u>	<u>243,041</u>
OPERATING EXPENSES							
Building occupancy	91,296	50,337	19,289	10,541	170,913	110,673	38,437
Professional services	-	-	-	-	23,400	-	-
Travel	1,847	3,017	390	556	2,419	8,206	2,850
Equipment cost	31,736	28,013	6,705	5,018	115,841	23,907	8,302
Food service	33,194	76,581	7,013	1,094	92,349	168	-
Medicine and pharmacy	25,959	26,331	-	5,320	81,882	99,130	-
Subcontracted services	34,300	26,002	7,247	5,264	7,327	17,209	5,977
Insurance	5,088	11,653	1,075	800	29,181	16,587	5,760
Interest	110	-	-	-	70,524	53,899	18,719
Operating supplies and expenses	15,810	24,078	3,340	4,133	42,231	31,207	10,838
Loss on asset disposal	61,729	-	13,042	-	-	-	-
Donated items	<u>28,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,890</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>329,153</u>	<u>246,012</u>	<u>58,101</u>	<u>32,726</u>	<u>735,957</u>	<u>360,986</u>	<u>90,883</u>
INDIRECT EXPENSES							
Administration and other support	<u>74,615</u>	<u>121,840</u>	<u>15,686</u>	<u>5,662</u>	<u>321,653</u>	<u>158,160</u>	<u>54,693</u>
Total indirect expenses	<u>74,615</u>	<u>121,840</u>	<u>15,686</u>	<u>5,662</u>	<u>321,653</u>	<u>158,160</u>	<u>54,693</u>
Total expenses	<u>\$ 725,225</u>	<u>\$ 907,114</u>	<u>\$ 141,703</u>	<u>\$ 66,131</u>	<u>\$ 2,446,882</u>	<u>\$ 1,218,949</u>	<u>\$ 388,617</u>

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
SCHEDULE OF EXPENSES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2010

	ADULT SUBSTANCE ABUSE			CHILDREN SUBSTANCE ABUSE			
	Intervention	Outreach	Prevention	Prevention	Outpatient	Aftercare	Outreach
	HIV				Individual		
PERSONNEL EXPENSES							
Salaries	\$ 2,767	\$ 164,534	\$ 139,728	\$ 95,273	\$ 96,706	\$ 1,797	\$ 46,554
Fringe benefits	857	50,948	43,267	29,501	30,568	568	14,715
Total personnel expenses	<u>3,624</u>	<u>215,482</u>	<u>182,995</u>	<u>124,774</u>	<u>127,274</u>	<u>2,365</u>	<u>61,269</u>
OPERATING EXPENSES							
Building occupancy	290	17,266	14,663	9,998	8,281	154	3,986
Professional services	-	-	-	-	-	-	-
Travel	133	7,927	6,732	4,590	1,643	31	791
Equipment cost	145	8,648	7,346	5,008	6,774	126	3,261
Food service	-	-	597	-	36	-	-
Medicine and pharmacy	112	6,656	5,652	3,854	6,734	125	3,242
Subcontracted services	16	925	786	536	2,405	45	1,158
Insurance	85	5,084	4,318	2,944	2,865	53	1,379
Interest	141	8,360	7,098	4,841	-	-	-
Operating supplies and expenses	168	10,013	8,508	5,798	6,317	117	3,041
Loss on asset disposal	-	-	-	-	-	-	-
Donated items	-	-	-	-	-	-	-
Total Operating Expenses	<u>1,090</u>	<u>64,879</u>	<u>55,700</u>	<u>37,569</u>	<u>35,055</u>	<u>651</u>	<u>16,858</u>
INDIRECT EXPENSES							
Administration and other support	811	48,246	40,977	27,937	28,340	527	13,643
Total indirect expenses	<u>811</u>	<u>48,246</u>	<u>40,977</u>	<u>27,937</u>	<u>28,340</u>	<u>527</u>	<u>13,643</u>
Total expenses	<u>\$ 5,525</u>	<u>\$ 328,607</u>	<u>\$ 279,672</u>	<u>\$ 190,280</u>	<u>\$ 190,669</u>	<u>\$ 3,543</u>	<u>\$ 91,770</u>

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
SCHEDULE OF EXPENSES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2010

	CHILDREN SUBSTANCE ABUSE						Indirect		Total All Cost Centers
	Incidental	Medical Services	Crisis Support	Residential Level 2	Day/Night	Total ADM	Non-ADM	Admin and and Support	
PERSONNEL EXPENSES									
Salaries	-	-	\$ 199,548	\$ 451,481	\$ 2,514	\$ 3,828,918	\$ 89,818	\$ 638,400	\$ 4,557,136
Fringe benefits	-	-	59,970	140,926	785	1,137,250	27,374	212,027	1,376,651
Total personnel expenses	-	-	259,518	592,407	3,299	4,966,168	117,192	850,427	5,933,787
OPERATING EXPENSES									
Building occupancy	-	-	9,801	115,204	641	701,496	14,008	48,180	763,684
Professional services	-	-	-	-	-	23,400	-	99,757	123,157
Travel	-	-	3,470	717	4	45,924	1,745	2,676	50,345
Equipment cost	-	-	9,229	33,126	184	303,703	7,923	42,558	354,184
Food service	-	-	22	69,312	386	291,560	10	5,969	297,539
Medicine and pharmacy	-	-	3,156	12,225	68	290,686	15	5,797	296,498
Subcontracted services	-	-	29	30,280	169	150,842	22,860	4,985	178,687
Insurance	-	-	6,295	17,741	99	112,664	2,797	21,617	137,078
Interest	-	-	-	2,757	15	166,464	-	24,163	190,627
Operating supplies and expenses	-	-	8,823	19,677	110	199,357	7,968	49,044	256,369
Loss on asset disposal	-	-	-	-	-	94,870	-	-	94,870
Donated items	-	-	-	112,139	-	240,113	-	-	240,113
Total Operating Expenses	-	-	40,825	413,178	1,676	2,621,079	57,326	304,746	2,983,151
INDIRECT EXPENSES									
Administration and other support	-	-	58,242	134,003	742	1,130,020	25,153	(1,155,173)	-
Total indirect expenses	-	-	58,242	134,003	742	1,130,020	25,153	(1,155,173)	-
Total expenses	-	-	\$ 358,585	\$ 1,139,588	\$ 5,717	\$ 8,717,267	\$ 199,671	\$ -	\$ 8,916,938

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
SCHEDULE OF STATE EARNINGS
YEAR ENDED JUNE 30, 2010

1.	Total Expenditures	\$ 8,916,938
2.	Less Other State and Federal Funds	(218,694)
3.	Less Non-Match ADM Funds	(2,693,251)
4.	Less Unallowable Costs Per 65E-14, FAC	-
5.	Less Unallowable Patient Fees	<u>-</u>
6.	Total Allowable Expenditures (Sum of lines 1, 2, 3, 4 and 5.)	<u><u>\$ 6,004,993</u></u>
7.	Total Amount of State Earnings (Line 6 times 75%)	\$ 4,503,745
8.	Amount of State Funds Required Match	<u>445,506</u>
9.	Amount Due to Department (Subtract Line 8 from Line 7. If negative, the amount of the difference is due the department up to the amount of Line 8.)	<u><u>\$ 4,058,239</u></u>

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
Southwest Florida Addiction Services, Inc.
Fort Myers, Florida

We have audited the financial statements of Southwest Florida Addiction Services, Inc. ("SWFAS") as of and for the year ended June 30, 2010, and have issued our report thereon dated November 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 SWFAS'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 SWFAS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SWFAS's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described below to be a material weakness.

2009-01 Audit Adjustments

Criteria

Management is responsible for establishing and maintaining internal controls for the proper recording of all the Organization's assets and liabilities.

Condition

As part of the audit, we proposed audit adjustments to revise the Organization's books at year-end. These adjustments included the recording of a gain for the sale of land held for investment and the recording of accrued grant revenue.

Effect

The design of the internal controls over recording of assets and liabilities, including reclassifications, could affect the ability of management to detect or prevent misstatements.

Recommendation

We recommend management be consistently aware of all procedures and process involved in recording all assets and liabilities and develop internal control policies to ensure proper recording of these items.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Larson Allen LLP
LarsonAllen LLP

Fort Myers, Florida
November 12, 2010

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

Board of Directors
Southwest Florida Addiction Services, Inc.
Fort Myers, Florida

Compliance

We have audited the compliance of Southwest Florida Addiction Services, Inc. ("SWFAS") 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 could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2010. SWFAS's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of SWFAS's management. Our responsibility is to express an opinion on SWFAS'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 Non-Profit Organizations*; and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or a state project occurred. An audit includes examining, on a test basis, evidence about SWFAS'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 SWFAS's compliance with those requirements.

Board of Directors
Southwest Florida Addiction Services, Inc.

In our opinion, SWFAS complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

The management of SWFAS 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 SWFAS's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or a state 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 SWFAS's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over 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 is not intended to be and should not be used by anyone other than these specified parties.

Larson Allen LLP
LarsonAllen LLP

Fort Myers, Florida
November 12, 2010

**SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2010**

	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
FEDERAL AGENCY			
<i>Pass-through entity</i>			
Federal Program			
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through State of Florida, Department of Children and Families</i>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	HD04R	\$ 742,111
Temporary Assistance for Needy Families (TANF)	93.558	HD04R	199,997
Projects for Assistance in Transition from Homelessness (PATH)	93.150	HD04R	102,653
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	LD811	<u>150,000</u>
Total programs - U.S. Department of Health and Human Services			<u>1,194,761</u>
 U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed through the State of Florida Department of Education</i>			
Food Stamp Program	10.551	None	21,363
School Breakfast and National Lunch Programs	10.555	None	<u>18,790</u>
Total programs - U.S. Department of Agriculture			<u>40,153</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

**SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (CONTINUED)
YEAR ENDED JUNE 30, 2010**

	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
FEDERAL AGENCY			
<i>Pass-through entity</i>			
Federal Program			
 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Lee County, Florida</i>			
Supportive Housing Program	14.235	4447	5,658
Supportive Housing Program	14.235	4886	79,529
Supportive Housing Program	14.235	3196	32,537
Supportive Housing Program	14.235	5130	<u>41,198</u>
			<u>158,922</u>
 <i>Passed through Lee County, Florida</i>			
Community Development Block Grant	14.218	4834	77,034
Community Development Block Grant	14.218	4852	6,805
Community Development Block Grant	14.218	5041	<u>21,572</u>
			<u>105,411</u>
Total programs - U.S. Department of Housing and Urban Development			<u>264,333</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 1,499,247</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

**SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (CONTINUED)
YEAR ENDED JUNE 30, 2010**

	<u>CSFA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
STATE AGENCY			
<i>Pass-through entity</i>			
State Project			
 STATE OF FLORIDA, DEPARTMENT OF CHILDREN AND FAMILIES			
Substance Abuse Treatment and Aftercare Services for Children	60.030	HD04R	\$ 1,020,088
Substance Abuse Detoxification Services for Adults	60.031	HD04R	812,611
Substance Abuse Treatment and Aftercare Services for Adults	60.033	HD04R	842,485
Indigent Psychiatric Medication Program	60.039	HD04R	4,722
Adult Community Mental Health Community Support Services	60.053	HD04R	11,120
<i>Passed through Lee County, Florida</i> Challenge Grant	60.014	4989	<u>35,000</u>
Total programs - State of Florida, Department of Children and Families			<u>2,726,026</u>
 STATE OF FLORIDA, FLORIDA HOUSING FINANCE AUTHORITY			
<i>Passed through Lee County, Florida</i>			
State Housing Initiatives Partnership Program	52.901	C-5051	<u>72,729</u>
Total programs - State of Florida, Florida Housing Finance Committee			<u>72,729</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 2,798,755</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2010

(1) Purpose of the Schedule

The Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") is a supplementary schedule to SWFAS's basic financial statements and is presented for the purpose of additional analysis. The Schedule is required by Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and by Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*.

(2) Summary of Significant Accounting Policies

Basis of Presentation

Federal Financial Assistance - Pursuant to the Single Audit Act of 1984 (Public Law 98-502), the Single Audit Act Amendments of 1996 (Public Law 104-156), and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, that nonfederal entities receive or administer, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property interest subsidies, insurance, or direct appropriations.

State Financial Assistance – Pursuant to Florida Single Audit Act (Section 215.97, Florida Statutes) and Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, state financial assistance is defined as assistance from state resources, not including federal financial assistance and state matching, provided to nonstate entities to carry out a state project. State financial assistance includes all types of state assistance as stated in the rules of the Florida Department of Financial Services, established in consultation with the Comptroller and appropriate state agencies that provide state financial assistance. It includes state financial assistance provided directly by state awarding agencies or indirectly by recipients of state awards. It does not include procurement contracts used to buy goods or services from vendors.

Catalog of Federal Domestic Assistance – OMB Circular A-133 requires the Schedule to show the total expenditures for each of SWFAS's federal financial assistance programs as identified in the Catalog of Federal and Domestic Assistance (CFDA). Federal financial assistance programs that have not been assigned a CFDA number are indicated with an "N/A."

Catalog of State Financial Assistance – Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code requires the Schedule to show the total state financial assistance expended for each individual state project as identified in the Catalog of State Financial Assistance (CSFA). State financial assistance projects that have not been assigned a CSFA number are indicated with an "N/A."

**SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2010**

(2) Summary of Significant Accounting Policies (Continued)

Type A and Type B Programs

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the levels of expenditures to be used in defining Type A and Type B federal financial assistance programs. Type A assistance programs for SWFAS are those federal programs with expenditures in excess of \$300,000 for the fiscal year ended June 30, 2010.

Each non-state entity that expends a total amount of state financial assistance equal to or in excess of \$500,000 in any fiscal year is required to have a state single audit for such fiscal year in accordance with the requirements of the Florida Single Audit Act (Section 215.97, Florida Statutes). Chapter 69I-5 establishes the level of expenditures to be used in defining Type A and Type B state financial assistance projects. Type A assistance projects for SWFAS are those programs with expenditures in excess of the greater of \$300,000 or 3% of total state awards expended for the fiscal year ended June 30, 2010.

Basis of Accounting

Both federal and state financial assistance expenditures included in the Schedule are reported using the accrual basis of accounting.

**SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS AND STATE PROJECTS
JUNE 30, 2010**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued;

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards and State Financial Assistance

Internal control over major federal programs and state projects:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported

Type of auditor’s report issued on compliance for major federal programs and state projects:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 or Chapter 10.654 (1)(h) 4., Rules of the Auditor General?

 yes X no

**SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 FEDERAL PROGRAMS AND STATE PROJECTS
 JUNE 30, 2010**

Section I – Summary of Auditors’ Results (Continued)

Identification of major programs/projects:

CFDA Number(s)	Name of Federal Program or Cluster
93.959	U.S. Department of Health and Human Services Block Grants for Prevention and Treatment of Substance Abuse
93.150	U.S. Department of Health and Human Services Project for Assistance in Transition from Homelessness
CSFA Number(s)	Name of State Project
60.031	Substance Abuse Detoxification Services for Adults
60.033	Substance Abuse Treatment and Aftercare Services for Adults

Dollar threshold used to distinguish between
 Type A or Type B programs/projects was:
 Major Federal Program
 Major State Project

\$ 300,000
\$ 300,000

Auditee qualified as low-risk auditee pursuant to
 OMB Circular A-133?

_____ yes X no

Section II – Financial Statement Findings

Finding 2009-1 Audit Adjustments, as reported in the Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Accounting Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with Section 510(a) of OMB Circular A-133.

There were no matters reported in the prior year Schedule of Findings and Questioned Costs required to be reported in accordance with Section 510(a) of OMB Circular A-133.

**SOUTHWEST FLORIDA ADDICTION SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS AND STATE PROJECTS
JUNE 30, 2010**

Section IV – Findings and Questioned Costs – Major State Projects

Our audit did not disclose any matters required to be reported in accordance with Chapter 10.654(1)(h)4., Rules of Auditor General.

There were no matters reported in the prior year Schedule of Findings and Questioned Costs required to be reported in accordance with Chapter 10.654(1)(i), Rules of the Auditor General.

A management letter required by Section 215.97(8)(g), Florida Statutes, and defined in Rule 10.654(1)(e), has not been included as there are no items related to State financial assistance required to be reported.

Section V – Other Issues

No corrective action plan is required because there were no findings required to be reported under the Federal or Florida Single Audit Acts.