

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

DALE L. CAVIN, C.P.A.

DONNA F. ROGERS, C.P.A.

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Chemical Addictions Recovery Effort, Inc. (a Florida not for profit organization) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2010, financial statements and, in our report dated October 12, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with Government Auditing Standards, we have also issued a report dated October 11, 2011, on our consideration of Chemical Addictions Recovery Effort, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Chemical Addictions Recovery Effort, Inc. taken as a whole. The accompanying Supplemental Schedules required by State ADM Contract Provisions as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Projects is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and Chapter 10.650, Rules of the Auditor General, State of Florida, and is not a required part of the basic financial statements. Such information 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 financial statements as a whole.


Grimsley, Cavin & Company
Certified Public Accountants

October 11, 2011

FINANCIAL STATEMENTS

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2010

	OPERATING	D.U.I. SCHOOL	OTHER PROGRAMS	2011 TOTAL	2010 TOTAL FOR COMPARISON ONLY
<u>ASSETS</u>					
Cash	\$ 1,596,452	\$ 134,244	\$ 7,247	\$1,737,943	\$ 1,601,790
Accounts Receivable	677,880	1,981	-	679,861	724,767
Prepaid Expenses	12,287	227	6	12,520	9,270
Property & Equipment (Net)	2,212,018	17,146	750	2,229,914	2,274,421
Unamortized Loan Costs	7,223	-	-	7,223	10,556
	-----	-----	-----	-----	-----
Total Assets	\$ 4,505,860	\$ 153,598	\$ 8,003	\$4,667,461	\$ 4,620,804
	=====	=====	=====	=====	=====
<u>LIABILITIES</u>					
Accounts Payable & Accrued Expenses	\$ 34,676	\$ 4,357	\$ 122	\$ 39,155	\$ 36,951
Accrued Vacation	215,379	15,518	-	230,897	214,715
Long Term Debt	1,095,588	11,658	-	1,107,246	1,163,853
	-----	-----	-----	-----	-----
Total Liabilities	1,345,643	31,533	122	1,377,298	1,415,519
	-----	-----	-----	-----	-----
<u>DEFERRED REVENUE</u>	-	15,084	-	15,084	15,084
	-----	-----	-----	-----	-----
<u>TOTAL LIABILITIES AND DEFERRED REVENUE</u>	1,345,643	46,617	122	1,392,382	1,430,603
	-----	-----	-----	-----	-----
<u>UNRESTRICTED NET ASSETS</u>	3,160,217	106,981	7,881	3,275,079	3,190,201
	-----	-----	-----	-----	-----
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 4,505,860	\$ 153,598	\$ 8,003	\$4,667,461	\$ 4,620,804
	=====	=====	=====	=====	=====

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

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 STATEMENTS OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011
 WITH COMPARATIVE TOTALS AS OF JUNE 30, 2010

	OPERATING	D.U.I. SCHOOL	OTHER PROGRAMS	2011 TOTAL	2010 TOTAL FOR COMPARISON ONLY
<u>UNRESTRICTED NET ASSETS</u>					
Support					
State of Florida	\$ 3,391,088	\$ -	\$ -	\$3,391,088	\$ 3,300,076
In-Kind	142,938	-	-	142,938	107,124
Program Fees	630,960	-	-	630,960	572,258
School Registration Fees	-	272,796	1,582	274,378	271,417
Supervision Fees	-	37,445	-	37,445	27,934
Food Stamps	35,188	-	-	35,188	36,867
Other Contract Services	182,110	-	-	182,110	220,149
Miscellaneous	39,004	30,055	-	69,059	52,247
TOTAL UNRESTRICTED SUPPORT	4,421,288	340,296	1,582	4,763,166	4,588,072
Expenses					
Program Services					
Detox	968,713	-	-	968,713	940,821
Outpatient	890,767	-	-	890,767	879,015
Prevention	177,469	-	-	177,469	220,934
Intervention	191,540	-	-	191,540	170,791
Room & Board Supervision	330,656	-	-	330,656	309,645
Residential	742,238	-	-	742,238	691,556
Prevention/Intervention-Day	170,155	-	-	170,155	159,166
Outreach	66,917	-	-	66,917	66,518
Aftercare	3,860	-	-	3,860	3,941
Incidental Expenses	20,625	-	-	20,625	21,393
D.U.I School	-	256,093	-	256,093	237,178
D.U.I. Supervision	-	40,748	-	40,748	39,535
D.A.T.E. Program	-	-	146	146	193
Traffic School	-	-	-	-	-
TOTAL	3,562,940	296,841	146	3,859,927	3,740,686
ADMINISTRATION & GENERAL	810,961	7,400	-	818,361	823,306
TOTAL EXPENSES	4,373,901	304,241	146	4,678,288	4,563,992
Internal Accounts					
Internal Rent	(48,000)	48,000	-	-	-
INCREASE IN UNRESTRICTED NET ASSETS	95,387	(11,945)	1,436	84,878	24,080
NET ASSETS AT BEGINNING OF YEAR	3,064,830	118,926	6,445	3,190,201	3,166,121
NET ASSETS AT END OF YEAR	\$ 3,160,217	\$ 106,981	\$ 7,881	\$3,275,079	\$ 3,190,201

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

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2011
 WITH COMPARATIVE TOTALS AS OF JUNE 30, 2010

PROGRAM SERVICES

	DETOX	OUTPATIENT/ OUTPATIENT GROUP	PREVENTION	INTERVENTION	ROOM AND BOARD SUPERVISION	RESIDENTIAL	PREVENTION/ INTERVENTION DAY	OUTREACH	AFTERCARE	INCIDENTAL EXPENSES	DUI SCHOOL	DUI SUPERVISION
Personnel Services												
Employee Leasing Costs	\$ 650,406	\$ 661,275	\$ 149,592	\$ 161,772	\$ 200,939	\$ 446,528	\$ 141,681	\$ 51,175	\$ 3,860	\$ -	\$169,772	\$ 31,835
Fringe Benefits	26,987	27,255	8,285	3,682	9,526	21,496	8,921	2,112	-	-	8,196	859
Total Personnel Services	677,393	688,530	157,877	165,454	210,465	468,024	150,602	53,287	3,860	-	177,968	32,694
Operating Expenses												
Building Occupancy	45,585	57,338	-	5,339	21,551	49,663	52	3,928	-	-	20,235	2,248
Professional Services	52,765	21,154	163	1,611	4,062	7,719	-	1,493	-	-	7,689	854
Travel	825	12,379	9,612	7,328	54	145	1,383	593	-	-	2,174	232
Equipment Costs	18,838	7,751	2,027	420	17,318	30,218	2,422	592	-	-	10,519	1,169
Food Services	40,140	-	-	-	19,018	35,281	-	-	-	-	-	-
Medical and Pharmacy	23,083	21,284	-	4,073	1,284	3,852	-	1,908	-	-	442	49
Insurance	13,430	21,991	994	1,209	15,572	28,587	5,964	1,621	-	-	4,473	497
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Operating Supplies and Expenses	49,923	45,680	5,090	6,094	10,579	27,574	6,073	2,928	-	20,625	24,459	2,218
Depreciation	15,793	4,188	1,706	12	4,512	13,490	1,619	261	-	-	2,417	167
Amortization	-	-	-	-	-	-	-	-	-	-	-	-
Bad Debts	-	-	-	-	-	-	-	-	-	-	5,717	620
Donated Items (In Kind)	26,011	10,472	-	-	26,193	77,542	2,040	306	-	-	-	-
Total Operating Expenses	286,393	202,237	19,592	26,086	120,143	274,071	19,553	13,630	-	20,625	78,125	8,054
Total Expenses Before Additional Items	963,786	890,767	177,469	191,540	330,608	742,095	170,155	66,917	3,860	20,625	256,093	40,748
Loss on Disposal of Assets	4,927	-	-	-	48	143	-	-	-	-	-	-
Indirect Cost Cash Transfer	-	-	-	-	-	-	-	-	-	-	6,700	700
Internal Rent Charges	-	-	-	-	-	-	-	-	-	-	43,200	4,800
Total Expenses	\$ 968,713	\$ 890,767	\$ 177,469	\$ 191,540	\$ 330,656	\$ 742,238	\$ 170,155	\$ 66,917	\$ 3,860	\$ 20,625	\$305,993	\$ 46,248

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

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2010

PROGRAM SERVICES

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	DATE PROGRAM	TRAFFIC SCHOOL	TOTAL	ADMINISTRATIVE AND GENERAL	2011 TOTAL	2010 TOTAL FOR COMPARISON ONLY
Personnel Services						
Employee Leasing Costs	\$ -	\$ -	\$2,668,835	\$ 580,216	\$3,249,051	\$3,152,288
Fringe Benefits	-	-	117,319	31,273	148,592	140,380
Total Personnel Services	-	-	2,786,154	611,489	3,397,643	3,292,668
Operating Expenses						
Building Occupancy	-	-	205,939	8,795	214,734	214,823
Professional Services	-	-	97,510	19,106	116,616	137,278
Travel	-	-	34,725	4,098	38,823	35,570
Equipment Costs	-	-	91,274	15,098	106,372	102,480
Food Services	-	-	94,439	-	94,439	89,237
Medical and Pharmacy	-	-	55,975	-	55,975	90,010
Insurance	-	-	94,338	12,357	106,695	106,625
Interest	-	-	-	63,264	63,264	66,990
Operating Supplies and Expenses	33	-	201,276	42,864	244,140	229,192
Depreciation	113	-	44,278	37,582	81,860	83,733
Amortization	-	-	-	3,334	3,334	3,334
Bad Debts	-	-	6,337	-	6,337	6,328
Donated Items (In Kind)	-	-	142,564	374	142,938	105,724
Total Operating Expenses	146	-	1,068,655	206,872	1,275,527	1,271,324
Total Expenses Before Additional Items	146	-	3,854,809	818,361	4,673,170	4,563,992
Loss on Disposal of Assets	-	-	5,118	-	5,118	-
Indirect Cost Cash Transfers	-	-	7,400	(7,400)	-	-
Internal Rent Charges	-	-	48,000	(48,000)	-	-
Total Expenses	\$ 146	\$ -	\$3,915,327	\$ 762,961	\$4,678,288	\$4,563,992

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

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
STATEMENTS OF CASH FLOW
JUNE 30, 2011
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2010

	OPERATING	D.U.I. SCHOOL	OTHER PROGRAMS	2011 TOTAL	2010 TOTAL FOR COMPARISON ONLY
<u>CASH PROVIDED (USED) BY OPERATIONS</u>					
Increase (Decrease) in					
Net Assets	\$ 95,387	\$ (11,945)	\$ 1,436	\$ 84,878	\$ 24,080
Items not Requiring Cash:					
Depreciation	79,163	2,584	113	81,860	83,733
Amortization	3,333	-	-	3,333	3,334
Increase (Decrease) from Change in:					
Miscellaneous Receivables	45,072	(164)	-	44,908	(24,105)
Prepaid Expenses	(3,122)	(129)	-	(3,251)	17,017
Accounts Payable	1,670	526	-	2,196	11,496
Accrued Leave	14,283	1,909	-	16,192	2,265
Total	235,786	(7,219)	1,549	230,116	117,820
<u>CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES</u>					
Acquisition of Property and Equipment	(29,971)	(12,500)	-	(42,471)	(27,188)
Disposition of Property and Equipment	5,115	-	-	5,115	-
Total	(24,856)	(12,500)	-	(37,356)	(27,188)
<u>CASH PROVIDED (USED) BY FINANCING ACTIVITIES</u>					
Proceeds of Notes Payable	-	12,500	-	12,500	-
Repayment of Notes Payable	(68,265)	(842)	-	(69,107)	(64,539)
Total	(68,265)	11,658	-	(56,607)	(64,539)
<u>NET INCREASE (DECREASE) IN CASH</u>	142,665	(8,061)	1,549	136,153	26,093
<u>CASH BALANCE</u> - Beginning of Year	1,453,787	142,305	5,698	1,601,790	1,575,697
<u>CASH BALANCE</u> - End of Year	\$ 1,596,452	\$ 134,244	\$ 7,247	\$1,737,943	\$ 1,601,790

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

NOTES TO FINANCIAL STATEMENTS

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

ACCOUNTS RECEIVABLE - Amounts shown as accounts receivable in the operating fund are comprised of miscellaneous contract payments from various government agencies that were outstanding at June 30, 2011. Accounts receivable in the D.U.I. School Fund are uncollected school fees outstanding at year end. No allowances for doubtful accounts are considered necessary.

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

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

FUND ACCOUNTING - Assets, liabilities, revenues, and expenditures are segregated into separate funds where required. As of June 30, 2011, these funds are as follows:

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

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

FINANCIAL REPORTING - The financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

NOTE 1 - PROPERTY AND EQUIPMENT

	OPERATING	D.U.I. SCHOOL	OTHER PROGRAMS	TOTAL
	-----	-----	-----	-----
Building - Other	\$ 37,260	\$ -	\$ -	\$ 37,260
Building - East Avenue	777,550	-	-	777,550
Building Regency & Improvements	1,889,556	-	-	1,889,556
Building - Gulf County	50,393	-	-	50,393
Building - A.W.A.R.E.	172,596	-	-	172,596
Furniture, Fixtures, & Equip.	499,108	90,178	4,718	594,004
Less Accumulated Depreciation	(1,214,445)	(73,032)	(3,968)	(1,291,445)
	-----	-----	-----	-----
Property and Equipment - Net	\$2,212,018	\$ 17,146	\$ 750	\$2,229,914
	=====	=====	=====	=====
2010 - Net	\$2,266,327	\$ 7,231	\$ 863	\$2,274,421
	=====	=====	=====	=====

Property and equipment acquired with State or Federal Grant Funds are subject to various restrictions on use and disposition, in certain circumstances title to the property could revert to the grantor. Building costs include non-depreciable land costs of \$282,334 at June 30, 2011 and 2010.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011

NOTE 2 - LOAN COSTS

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

NOTE 3- LONG-TERM DEBT

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

	<u>2011</u>	<u>2010</u>
Trustmark Bank:		
Due in monthly installments of \$10,181 beginning November 30, 2008 with final balloon payment of \$994,896 due October 2, 2013. Interest at 5.5% fixed. Collateralized by all real estate and rents thereof.	1,082,208	1,142,198
\$250,000 line of credit. Dated December 9, 2010. Interest at bank prime, 3.25% at June 30, 2011. Collateralized by real estate.	-	-
Due in monthly installments of \$780 beginning February 2, 2009 including interest at 5.95% fixed through January 2013. Refinancing of two Toyota Camry vehicles.	13,380	21,655
Both Worlds Software, Inc.:		
Financing of DUI/SSS software and maintenance. Due in 23 monthly payments of \$530.00 beginning June 1, 2011 with a final payment due April 1, 2013. Initial amount \$16,250 with no interest.	11,658	-
Total	===== \$1,107,246 =====	===== \$1,163,853 =====

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011

NOTE 3- LONG-TERM DEBT - Continued

Principal debt maturities for the subsequent years are

June 30,		
2012	\$	72,122
2013		77,376
2014		957,748

Total		\$1,107,246
		=====

Total interest paid for 2011 and 2010 was \$63,264 and \$66,990, respectively.

NOTE 4 - GRANT REVENUE

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

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

	<u>2011</u>	<u>2010</u>
Dept. of Children and Families		
Alcohol, Drug Abuse and		
Mental Health		
Contract BDV01	\$3,391,088	\$3,300,076
	=====	=====

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

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 5- IN-KIND REVENUES AND EXPENDITURES

C.A.R.E records In-Kind Revenue and a like expenditure for the value of donated services to the program. The revenues for those years were \$142,938 for 2011 and \$107,124 for 2010. Expenditures for the same period were \$142,938 and \$107,124 respectively. Recorded amounts for donated rental space are computed using state approved rates at the level of services provided. The value of donated teaching services is computed using comparable public school wage rates.

NOTE 6 - PERSONNEL MANAGEMENT

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

Retirement plan:

All "employees" of C.A.R.E. are eligible to participate in the Chemical Addictions Recovery Effort Profit Sharing 401(K) Plan subject to minimum service and age requirements. Employees are eligible for contributions made by the employer after completing six months service. Employer contributions are subject to a maximum of 100% of employee compensation. Employee salary reduction contributions may not exceed \$15,500 for participants under age 50 and \$20,500 for ages 50 and over. Combined contributions may not exceed 100% of employee's compensation or \$44,000 whichever is less. The Organization presently makes contributions based on 6% of eligible compensation. Employees are allowed to have contributions made on their behalf after six months of service. Annual minimum service of 1000 hours and minimum age of 21 are required for plan participation. As of July 1, 2007 the plan's vesting schedule was modified to 0% after years 1 and 2 and 100% after year 3. Employer contributions for the years ended June 30, 2011 and 2010 were

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011

NOTE 6 - PERSONNEL MANAGEMENT - Continued

\$141,549 and \$146,654 respectively. Allocations were made to all employees who were eligible during the fiscal year.

Compensated Absences:

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

NOTE 7 - LEASE COMMITMENT

C.A.R.E. leases various properties for office and client care facilities. C.A.R.E. also leases various pieces of equipment - major equipment leases includes leases for vehicles and copiers. The rental expenses for the year ended June 30, 2011 and 2010, totaled \$76,121 and \$84,067 respectively. Estimated rental for significant leases for the year ending June 30, 2012 is as follows:

<u>PROPERTY</u>	<u>EXPIRATION DATE</u>	<u>AMOUNT</u>
Jackson County Office	June 2014	\$ 28,020
Intervention Offices	October 2010	1,358
Six Vehicles	April 2012 - Sept. 2013	29,296
Eight Copiers	August 2012	14,458
One Copier	June 2015	2,143

Total Estimated Annual Rent for June 30, 2012		\$ 75,275
		=====

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 7 - LEASE COMMITMENT - Continued

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

June 30,	
2012	\$ 75,275
2013	49,451
2014	32,346
2015	2,143

The intervention office facility noted above is leased from the Florida Department of Children and Families who provides major funding to the Organization. The lease was not renewed after the termination date of October 2010.

NOTE 8 - INTERNAL RENT

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

NOTE 9 - SPECIAL DISCLOSURES RELATED TO THE DUI PROGRAM

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

15A-10.012(2) - Basis of Accounting

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

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011

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

	<u>D.U.I.</u>	<u>S.S.S.</u>	<u>Total D.U.I. Program 2011</u>	<u>Total D.U.I. Program 2010</u>
Support:				
School Registration Fees	\$ 272,796	\$ 37,445	\$ 310,241	\$ 296,973
Miscellaneous Income	22,231	7,824	30,055	29,109
	-----	-----	-----	-----
Total Support	295,027	45,269	340,296	326,082
 Total Expenses	 (305,993)	 (46,248)	 (352,241)	 (332,113)
	-----	-----	-----	-----
Increase (Decrease) In unrestricted net assets	\$ (10,966)	\$(979)	\$ (11,945)	\$ (6,031)
	=====	=====	=====	=====

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

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

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

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

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011

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

Expenses related to the facilities and personnel located at the D.U.I./D.A.T.E. facility are allocated directly to each program where possible. Where not possible, expenses are allocated by a cost allocation plan based on a study of actual operations. As of July 2009, allocations for the D.U.I., D.A.T.E., and Supervision programs changed to D.U.I. 90% and SSS 10%. The D.A.T.E. program is no longer include in this allocation due to the program providing only on-line services.

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

15A-10.012(6) - State Assessment Fee

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

	<u>2011</u>	<u>2010</u>
Fees due from prior year	\$ 1,470	\$ 1,116
Fees collected current year	15,990	15,759
Fees remitted current year	(16,095)	(15,420)
Adjustments	(15)	15
	-----	-----
Fees due State	\$ 1,350	\$ 1,470
	=====	=====

15A-10.012(7) - Fee Collection Procedures

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

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011

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

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

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

15A-10.0142 - Revenue Limitation

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

	<u>2011</u>	<u>2010</u>
Total program expenses	\$352,241	\$332,113
	=====	=====
Maximum operational cash allowed at 100%	\$352,241	\$332,113
Maximum reserve cash allowed at 50%	176,121	166,057
	-----	-----
Total cash allowed to be retained	\$528,362	\$498,170
	=====	=====
Actual cash on hand June 30	\$134,244	\$142,305
	=====	=====

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

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

	<u>2011</u>	<u>2010</u>
Contract Number BDV01	\$ 3,391,088	\$ 3,300,076
Less Portion not Requiring Match	(2,963,326)	(2,831,156)
	-----	-----
Support Requiring Local Match	\$ 427,762	\$ 468,920
	=====	=====

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011

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

During the fiscal years ended June 30, 2011 and 2010, the reimbursable expenses were as follows:

	<u>2011</u>	<u>2010</u>
Total Expenses	\$ 4,678,289	\$ 4,563,992
Less: Non-Matching Revenues:		
Florida Department of Children and Families	2,963,326	2,831,156
Florida Department of Corrections	78,991	57,235
Medicaid	407,094	372,910
Other	52,282	51,946
Less: Non-Reimbursable		
Depreciation	2,577	2,577
Other	10,386	16,052
	-----	-----
Reimbursable Expenses	1,163,633	1,232,116
	-----	-----
Maximum Available Earnings (75%)	872,725	924,087
	-----	-----
State Funds Requiring Match	427,762	468,920
	-----	-----
Excess Expenses	\$ 444,963	\$ 455,167
	=====	=====

During the years ended June 30, 2011 and 2010, the Organization received funds from Bay County, Florida, 14th Judicial Circuit, pursuant to special contracts to provide services related to a federal program known as Drug Court. These funds, \$17,466 and \$63,808, respectively, are not considered grants by the Organization and, therefore, not included in non-matching revenues above.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 11 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances in financial institutions located in Northwest Florida. Cash balances for the Organization fall under the FDIC's program called the Transaction Account Guarantee Program (TAG) which provides full coverage of non-interest bearing accounts. This program will expire December 31, 2012. After this date, the FDIC will insure cash balances up to \$250,000.

As of June 30, 2011, cash balances in banks totaled \$1,806,520 of which \$23,178 was not covered by FDIC. A certificate of deposit with a carrying amount of \$67,721 as of June 30, 2011 is pledged as collateral on the Organization's employee leasing contract.

NOTE 12 - CONTINGENCY RESOLUTION

On January 8, 2009, an employee of the AWARE program was driving an agency vehicle that collided with a motorcyclist that resulted in a fatality. The insurance carrier for CARE assigned an attorney in this case. The case was settled on January 19, 2011. Insurance was sufficient to cover the final settlement and costs.

NOTE 13 - SUBSEQUENT EVENT EVALUATION

Management has evaluated subsequent events through October 11, 2011, the date which the financial statements were available for issue. During that period nothing came to the attention of management that would have a significant effect on the Organization's operations.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE PROJECTS

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE PROJECTS
 YEAR ENDED JUNE 30, 2011

GRANTOR/ PROGRAM TITLE	PASS THROUGH GRANTOR	CFDA/CSFA NUMBER	CONTRACT GRANT NUMBER	CURRENT EXPENDITURES
<u>FEDERAL AWARDS</u>				
United State Government				
Department of Health and Human Services				
Temporary Assistance for Needy Families	State of Florida, Department of Children and Families	93.558	BDV01	\$ 136,921
Block Grant for Prevention and Treatment of Substance Abuse	State of Florida, Department of Children and Families	93.959	BDV01	1,872,611
Department of Agriculture				
ARRA - Supplemental Nutrition Assistance Program (SNAP)	State of Florida, Department of Children and Families	10.551	N/A	35,189
School Breakfast Program	State of Florida, Department of Education	10.553	01-0253	14,220
National School Program (a)	State of Florida, Department of Education	10.555	01-0253	2,873
Total Expenditures of Federal Awards				----- \$2,061,814 =====
<u>STATE SUPPORT</u>				
State of Florida, Department of Children and Families				
Substance Abuse Treatment and Aftercare Services for Children	N/A	60.030	BDV01	\$ 506,750
Substance Abuse Detoxification Services for Adults	N/A	60.031	BDV01	413,984
Substance Abuse Treatment and Aftercare Services for Adults	N/A	60.033	BDV01	409,691
Temporary Assistance for Needy Families State Match for 93.558	N/A	N/A	BDV01	4,495
Prevention and Treatment of Substance Abuse State Match for 93.959	N/A	N/A	BDV01	46,636
Department of Corrections				
Substance Abuse Services Outpatient Substance Abuse Treatment Services	N/A	70.016	C2211	17,466
Drug Court	N/A	70.016	C2637	16,300
Total Expenditures of State Support				----- \$1,415,322 =====

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

SUPPLEMENTAL SCHEDULES REQUIRED BY
STATE ADM CONTRACT PROVISIONS

AUDIT SCHEDULE

Schedule of State Earnings for
Fiscal Year 06/30/11

1 Total Expenditures	\$4,678,289
2 Less Other State and Federal Funds	(\$538,367)
3 Less Non-Match SAMH Funds	(\$2,963,326)
4 Less Unallowable Costs per 65E-14, F.A.C.	(\$12,963)
5 Total Allowable Expenditures (Sum of lines 1, 2, 3, and 4)	\$1,163,633
6 Maximum Available Earnings (Line 5 times 75%)	\$872,725
7 Amount of State Funds Requiring Match	\$427,762
8 Amount Due to Department (Subtract line 7 from line 6)	\$444,963

AUDIT SCHEDULE

**Schedule of Related Party Transaction Adjustments
for the Fiscal Year Ending 06/30/11**

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

AUDIT SCHEDULE

Schedule of Bed-Day Availability Payments
For Fiscal Year Ending 06/30/11

Program A	Cost Center B	State Contracted Rate C	Total Units of Service Provided D	Total Units of Service Paid for by 3rd Party Contracts, Local Govt. or Other State Agencies E	Maximum # of Units Eligible for Payment by Department F (D-E)	Amount Paid for Services by the Department G	Maximum \$ Value of Units in Column F H (F x C)	Amount Owed to Department (G-H or \$0, whichever is greater) I
Children's MH	Crisis Stabilization Unit	\$0.00	0	0	0	\$0.00	\$0.00	\$0.00
Adult MH	Crisis Stabilization Unit	\$0.00	0	0	0	\$0.00	\$0.00	\$0.00
Children's SA	Substance Abuse Detox	\$0.00	0	0	0	\$0.00	\$0.00	\$0.00
Adult SA	Substance Abuse Detox	\$204.94	5,490	525.12	4,965	\$878,101.00	\$1,017,502.51	\$0.00
Adult MH	Short-term Residential Treatment	\$0.00	0	0	0	\$0.00	\$0.00	\$0.00
Total Amount Owed to Department =								\$0.00

SUBSTANCE ABUSE & MENTAL HEALTH SERVICES
PROJECTED COST CENTER OPERATING AND CAPITAL BUDGET

AGENCY: CARE

DATE PREPARED: 8/26/2011

INITIAL:

CONTRACT #: 80V01

BUDGET PERIOD: 7/01/10- 6/30/11

FINAL: X

PART I: PROJECTED FUNDING SOURCES & REVENUES

FUNDING SOURCES & REVENUES A	STATE-DESIGNATED SAMH COST CENTERS																		Total for State SAMH-Funded Cost Centers (C1+...+C4) D	Total for Non-State-Funded SAMH Cost Centers E	Total for All State-Designated SAMH Cost Centers (D+E) F	Non-SAMH Cost Center DUI G	Total Funding (F+G) H
	Combined Programs			Program 1														Total for Program 1 (B2a+...+B2e) C2					
	ADULT S/A B1a	ADOL S/A B1b	Total for Combined Programs (B1a+...+B1c) C1	DETOX B2a	OUTPATIENT B2b	OUTPATIENT GROUP B2c	OUTREACH B2d	AFTERCARE B2e	AFTERCARE GROUP	INTERVENTION	INTERVENTION GROUP	RESIDENTIAL	ROOM & BOARD	PREVENTION	PREVENTER/DAY	INCIDENTAL EXPENSES							
IA. TOTAL STATE SAMH FUNDING																							
(1) From the District funding this contract	\$ 2,428,154	\$ 994,894	\$ 3,391,088	\$ 678,101	\$ 385,955	\$ 394,404	\$ 53,338	\$ 2,750	\$ 2,550	\$ 289,582	\$ 4,000	\$ 784,650	\$ 290,033	\$ 94,139	\$ 192,936	\$ 20,000	\$ 3,391,088	\$ 3,391,088	\$ -	\$ 3,391,088	XXXXXXXXXX	\$ 5,991,088	
(2) From Other Districts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	XXXXXXXXXX	\$ -	
IB. OTHER GOVT. FUNDING																							
(1) Other State Agency Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(2) Medicaid	\$ 276,546	\$ 128,548	\$ 407,094	\$ 12,132	\$ 136,380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 258,582	\$ -	\$ -	\$ -	\$ 407,094	\$ 407,094	\$ -	\$ 407,094	\$ -	\$ 407,094	\$ -
(3) Local Government	\$ 12,309	\$ 1,387	\$ 13,670	\$ 4,644	\$ 9,526	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,670	\$ 13,670	\$ -	\$ 13,670	\$ -	\$ 13,670	\$ -
(4) Federal Grants and Contracts	\$ 86,981	\$ 7,749	\$ 96,210	\$ -	\$ 96,210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,210	\$ 96,210	\$ -	\$ 96,210	\$ -	\$ 96,210	\$ -
(5) In-kind from local govt. only	\$ 6,300	\$ 700	\$ 7,000	\$ -	\$ 7,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,000	\$ 7,000	\$ -	\$ 7,000	\$ -	\$ 7,000	\$ -
TOT. OTHER GOVT. FUNDING =	\$ 386,916	\$ 138,384	\$ 523,674	\$ 16,776	\$ 248,616	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 258,582	\$ -	\$ -	\$ -	\$ 523,674	\$ 523,674	\$ -	\$ 523,674	\$ -	\$ 523,674	\$ -
IC. ALL OTHER REVENUES																							
(1) 1st & 2nd Party Payments	\$ 134,457	\$ 16,424	\$ 150,881	\$ 18,190	\$ 120,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,185	\$ -	\$ -	\$ -	\$ -	\$ 150,881	\$ 150,881	\$ -	\$ 150,881	\$ -	\$ 150,881	\$ -
(2) 3rd Party Payments (except Medicare)	\$ 16,870	\$ 47,010	\$ 65,880	\$ 5,789	\$ 14,135	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,856	\$ -	\$ -	\$ -	\$ -	\$ 65,880	\$ 65,880	\$ -	\$ 65,880	\$ -	\$ 65,880	\$ -
(3) Medicare	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(4) Contributions and Donations	\$ 22,749	\$ 1,381	\$ 24,127	\$ 8,857	\$ 4,953	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,317	\$ -	\$ -	\$ -	\$ -	\$ 24,127	\$ 24,127	\$ -	\$ 24,127	\$ -	\$ 24,127	\$ -
(5) Other	\$ 145,118	\$ 39,680	\$ 184,798	\$ 71,880	\$ 63,709	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,406	\$ -	\$ -	\$ -	\$ -	\$ 184,798	\$ 184,798	\$ -	\$ 184,798	\$ -	\$ 184,798	\$ 341,679
(6) In-kind	\$ 58,395	\$ 79,574	\$ 135,309	\$ 26,611	\$ 4,153	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 199,735	\$ -	\$ 2,040	\$ -	\$ -	\$ 199,999	\$ 199,999	\$ -	\$ 199,999	\$ -	\$ 199,999	\$ -
TOT. ALL OTHER REVENUES =	\$ 377,559	\$ 184,069	\$ 561,625	\$ 130,503	\$ 207,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 221,582	\$ -	\$ 2,040	\$ -	\$ -	\$ 561,625	\$ 561,625	\$ -	\$ 561,625	\$ -	\$ 561,625	\$ 341,679
TOTAL PROJECTED FUNDING =	\$ 3,196,360	\$ 1,267,327	\$ 4,476,687	\$ 1,025,880	\$ 821,771	\$ 364,404	\$ 93,338	\$ 2,750	\$ 2,550	\$ 258,582	\$ 4,000	\$ 1,006,172	\$ 548,615	\$ 94,139	\$ 194,976	\$ 20,000	\$ 4,476,687	\$ 4,476,687	\$ -	\$ 4,476,687	\$ 341,679	\$ 4,818,366	

PART II: PROJECTED EXPENSES

STATE-DESIGNATED SAMH COST CENTERS																									
EXPENSE CATEGORIES A	STATE SAMH-FUNDED COST CENTERS																Total for Program 1 (B2-a+...+B2-x) C2	Total for State SAMH-Funded Cost Centers (C1+...+C4) D	Total for Non-State-Funded SAMH Cost Centers E	Tot. for All State-Designated SAMH Cost Centers (D+E) F	Non-SAMH Cost Center DUI G	Other Support Costs (optional) H	Administration I	Total Expenses (F+G+H+I) J	
	Combined Programs			Program 1																					
	ADULT S/A B1-a	ADOL S/A B1-b	Total for Program 1 or Combined (B1-a+...+B1-x) C1	DETOX B2-a	OUTPATIENT	OUTPATIENT GROUP	OUTREACH	AFTERCARE	AFTERCARE GROUP	INTERVENTION	INTERVENTION GROUP	RESIDENTIAL	ROOM & BOARD	PREVENTION	PREVINTER/DAY	INCIDENTAL EXP B2-b									
IIA. PERSONNEL EXPENSES																									
(1) Salaries	\$ 1,790,854	\$ 728,275	\$ 2,499,199	\$ 898,404	\$ 502,988	\$ 158,708	\$ 51,178	\$ 1,930	\$ 1,930	\$ 161,772	\$ 8,989	\$ 498,824	\$ 148,843	\$ 143,592	\$ 141,981	\$ -	\$ 2,467,228	\$ 2,467,228	\$ -	\$ 2,467,228	\$ 201,807	\$ -	\$ -	\$ 590,216	\$ 3,249,051
(2) Fringe Benefits	\$ 74,171	\$ 33,909	\$ 108,080	\$ 26,987	\$ 20,714	\$ 6,541	\$ 2,812	\$ -	\$ -	\$ 3,582	\$ 184	\$ 26,710	\$ 9,312	\$ 8,285	\$ 8,901	\$ -	\$ 108,264	\$ 108,264	\$ -	\$ 108,264	\$ 9,056	\$ -	\$ -	\$ 31,279	\$ 146,892
TOTAL PERSONNEL EXPENSES =	\$ 1,865,025	\$ 762,184	\$ 2,587,219	\$ 925,391	\$ 523,283	\$ 165,249	\$ 54,990	\$ 1,930	\$ 1,930	\$ 165,354	\$ 9,173	\$ 525,534	\$ 158,155	\$ 151,877	\$ 150,882	\$ -	\$ 2,675,492	\$ 2,675,492	\$ -	\$ 2,675,492	\$ 210,862	\$ -	\$ -	\$ 621,495	\$ 3,397,643
II. OTHER EXPENSES																									
(1) Building Occupancy	\$ 145,306	\$ 76,453	\$ 221,759	\$ 61,378	\$ 46,790	\$ 14,790	\$ 4,189	\$ -	\$ -	\$ 6,951	\$ 286	\$ 68,993	\$ 25,353	\$ 1,796	\$ 1,571	\$ -	\$ 225,097	\$ 225,037	\$ -	\$ 225,097	\$ 25,180	\$ -	\$ -	\$ 49,377	\$ 299,594
(2) Professional Services	\$ 73,001	\$ 15,805	\$ 88,806	\$ 62,795	\$ 16,377	\$ 5,677	\$ 1,483	\$ -	\$ -	\$ 1,611	\$ 81	\$ 8,407	\$ 3,374	\$ 163	\$ -	\$ -	\$ 86,967	\$ 88,967	\$ -	\$ 88,967	\$ 8,543	\$ -	\$ -	\$ 19,106	\$ 116,616
(3) Travel	\$ 19,844	\$ 12,008	\$ 31,852	\$ 225	\$ 9,498	\$ 2,971	\$ 662	\$ -	\$ -	\$ 7,326	\$ 386	\$ 147	\$ 2	\$ 9,812	\$ 1,389	\$ -	\$ 32,319	\$ 32,319	\$ -	\$ 32,319	\$ 2,405	\$ -	\$ -	\$ 4,068	\$ 38,828
(4) Equipment	\$ 14,846	\$ 24,718	\$ 39,564	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,564	\$ 39,564	\$ -	\$ 39,564	\$ -	\$ -	\$ -	\$ -	\$ 39,564
(5) Food Services	\$ 81,448	\$ 12,991	\$ 94,439	\$ 46,146	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,439	\$ 94,439	\$ -	\$ 94,439	\$ -	\$ -	\$ -	\$ -	\$ 94,439
(6) Medical and Pharmacy	\$ 45,058	\$ 7,223	\$ 52,281	\$ 23,063	\$ 16,176	\$ 5,108	\$ 1,908	\$ -	\$ -	\$ 4,073	\$ 204	\$ 44,585	\$ 5,314	\$ -	\$ -	\$ -	\$ 50,484	\$ 50,484	\$ -	\$ 50,484	\$ 491	\$ -	\$ -	\$ (53)	\$ 59,922
(7) Subcontracted Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(8) Insurance	\$ 53,867	\$ 35,411	\$ 89,278	\$ 13,430	\$ 10,719	\$ 5,278	\$ 1,821	\$ -	\$ -	\$ 1,269	\$ 50	\$ 54,158	\$ 10,001	\$ 994	\$ 5,904	\$ -	\$ 80,368	\$ 80,368	\$ -	\$ 80,368	\$ 4,970	\$ -	\$ -	\$ 12,957	\$ 93,325
(9) Interest Paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(10) Operating Supplies & Expenses	\$ 134,326	\$ 38,935	\$ 173,261	\$ 49,228	\$ 34,717	\$ 10,993	\$ 2,928	\$ -	\$ -	\$ 6,064	\$ 305	\$ 29,990	\$ 8,694	\$ 5,890	\$ 6,973	\$ 20,625	\$ 174,566	\$ 174,566	\$ -	\$ 174,566	\$ 33,047	\$ -	\$ -	\$ 42,918	\$ 217,484
(11) Other	\$ 5,117	\$ -	\$ 5,117	\$ 497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193	\$ 27	\$ -	\$ -	\$ -	\$ 5,117	\$ 5,117	\$ -	\$ 5,117	\$ -	\$ -	\$ -	\$ 3,384	\$ 8,451
(12) Donated Items	\$ 63,096	\$ 79,498	\$ 142,594	\$ 26,011	\$ 7,959	\$ 2,519	\$ 308	\$ -	\$ -	\$ -	\$ -	\$ 78,612	\$ 30,123	\$ -	\$ 2,840	\$ -	\$ 142,564	\$ 142,564	\$ -	\$ 142,564	\$ -	\$ -	\$ -	\$ 375	\$ 142,939
TOTAL OTHER EXPENSES =	\$ 702,335	\$ 279,807	\$ 988,142	\$ 291,500	\$ 138,700	\$ 46,537	\$ 13,630	\$ -	\$ -	\$ 26,086	\$ 1,204	\$ 290,401	\$ 95,002	\$ 19,592	\$ 19,363	\$ 20,625	\$ 977,446	\$ 977,446	\$ -	\$ 977,446	\$ 69,225	\$ -	\$ -	\$ 298,674	\$ 1,280,645
TOT. PERSONNEL & OTH. EXP. =	\$ 2,608,366	\$ 944,405	\$ 3,583,361	\$ 958,713	\$ 676,983	\$ 215,784	\$ 68,617	\$ 1,930	\$ 1,930	\$ 191,540	\$ 9,577	\$ 826,736	\$ 249,158	\$ 177,469	\$ 170,155	\$ 20,625	\$ 3,982,938	\$ 3,982,938	\$ -	\$ 3,982,938	\$ 280,087	\$ -	\$ -	\$ 818,369	\$ 4,878,288
III. DISTRIBUTED INDIRECT COSTS																									
(a) Other Support Costs (Optional)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Administration	\$ 530,980	\$ 282,882	\$ 813,862	\$ 114,571	\$ 87,074	\$ 27,497	\$ 49,918	\$ -	\$ -	\$ 90,020	\$ 4,901	\$ 238,471	\$ 86,140	\$ 81,836	\$ 81,836	\$ -	\$ 818,363	\$ 818,363	\$ -	\$ 818,363	\$ 55,490	\$ 3.00	\$ -	\$ 73,763	\$ 873,763
TOT. DISTRD INDRECT COSTS =	\$ 530,980	\$ 282,882	\$ 813,862	\$ 114,571	\$ 87,074	\$ 27,497	\$ 49,918	\$ -	\$ -	\$ 90,020	\$ 4,901	\$ 238,471	\$ 86,140	\$ 81,836	\$ 81,836	\$ -	\$ 818,363	\$ 818,363	\$ -	\$ 818,363	\$ 55,490	\$ 3.00	\$ -	\$ 73,763	\$ 873,763
TOTAL PROJECTED OPER. EXPENSES =	\$ 3,139,346	\$ 1,227,287	\$ 4,367,223	\$ 1,083,284	\$ 794,057	\$ 243,281	\$ 107,535	\$ 1,930	\$ 1,930	\$ 281,560	\$ 14,978	\$ 1,062,207	\$ 335,298	\$ 259,265	\$ 251,991	\$ 20,625	\$ 4,791,201	\$ 4,791,201	\$ -	\$ 4,791,201	\$ 335,577	\$ 3.00	\$ 1.00	\$ 473,888	\$ 5,269,089
IV. UNALLOWABLE COSTS																									
	\$ (1,629)	\$ (946)	\$ (2,577)	\$ -	\$ (743)	\$ (294)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,000)	\$ (2,577)	\$ (2,577)	\$ -	\$ (2,577)	\$ -	\$ -	\$ -	\$ -	\$ (2,577)
BE. TOTAL SAMH LINES OF CREDIT EQUIVALENT =	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ XXXXXXXX	\$ -	\$ XXXXXXXX	\$ XXXXXXXX	\$ -
TOT. ALLOWABLE PROJ OPERATING EXP.,	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excluding SAMH Credit Equivalent =	\$ 3,138,307	\$ 1,226,341	\$ 4,364,646	\$ 1,083,284	\$ 785,314	\$ 241,947	\$ 107,835	\$ 1,930	\$ 1,930	\$ 281,560	\$ 14,978	\$ 1,062,207	\$ 335,298	\$ 257,765	\$ 251,991	\$ 20,625	\$ 4,787,224	\$ 4,787,224	\$ -	\$ 4,787,224	\$ 332,387	\$ XXXXXXXX	\$ XXXXXXXX	\$ XXXXXXXX	\$ 4,731,111
III. CAPITAL EXPENDITURES																									
	\$ 84,240	\$ 20,803	\$ 105,043	\$ 46,030	\$ 10,489	\$ 3,312	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,163	\$ 85,163	\$ -	\$ 85,163	\$ 17,000	\$ -	\$ -	\$ 13,075	\$ 115,301

PART III: CERTIFICATION

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

Signature: _____ Title: _____ Date: _____

INDEPENDENT AUDITOR'S REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

DALE L. CAVIN, C.P.A.

DONNA F. ROGERS, C.P.A.

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of Chemical Addictions Recovery Effort, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chemical Addictions Recovery Effort, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chemical Addictions Recovery Effort, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

October 11, 2011


Grimsley, Cavin & Company
Certified Public Accountants

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

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

DALE L. CAVIN, C.P.A.

DONNA F. ROGERS, C.P.A.

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Compliance

We have audited Chemical Addictions Recovery Effort, Inc.'s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the Executive Office of the Governor's (Florida) State Projects Compliance Supplement that could have a direct and material effect on each of Chemical Addictions Recovery Effort, Inc.'s major federal programs and state projects for the year ended June 30, 2011. Chemical Addictions Recovery Effort, Inc.'s major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of Chemical Addictions Recovery Effort, Inc.'s management. Our responsibility is to express an opinion on Chemical Addictions Recovery Effort, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations and Chapter 10.650, Rules of the Auditor General (Florida). Those standards, OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General (Florida) require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Chemical Addictions Recovery Effort, Inc.'s compliance with those requirements

and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Chemical Addictions Recovery Effort, Inc.'s compliance with those requirements.

In our opinion, Chemical Addictions Recovery Effort, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

Board of Directors
Page Three

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

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


Grimsley, Cavin & Company
Certified Public Accountants

October 11, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Part I - Summary of Auditor's Results

1. The independent auditor's report on the financial statements expressed an unqualified opinion.
2. There were no reportable conditions in internal control over financial reporting required to be reported by Government Auditing Standards.
3. We disclosed no instances of noncompliance considered material to the financial statements.
4. There were no reportable conditions identified in internal control over compliance with requirements applicable to the major federal awards programs or state projects.
5. The independent auditor's report on compliance with requirements applicable to major federal awards programs and state projects expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133 or The Executive Office of the Governor's (Florida) State Projects Compliance Supplement.
7. The Organization's major federal programs and state projects were:
 - A. Block Grant for the Prevention and Treatment of Substance Abuse - CFDA #93.959
 - B. Substance Abuse Treatment and Aftercare Services for Children - CSFA #60.030
 - C. Substance Abuse Treatment and Aftercare Services for Adults - CSFA #60.033
8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 and The Executive Office of the Governor's (Florida) State Projects Compliance Supplements.
9. The Organization qualifies as a low-risk auditee as that term is defined in OMB Circular A-133.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
SCHEDULE OF FINDING AND QUESTIONED COSTS
JUNE 30, 2011

Part II - Financial Statement Findings Section

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

No items were noted in the current or prior year.

Part III - Federal Award Findings and Questioned Costs Section

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

No items were noted in the current or prior year.

Part IV - State Projects Findings and Questioned Costs Section

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

No items were noted in the current or prior year.

No items were noted in the current year required to be reported in a separate management letter.