

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

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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, 2012, 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, 2011, financial statements and, in our report dated October 11, 2011, 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, 2012, 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, 2012, 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 financial statements 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 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.

October 11, 2012


Grimsley, Cavin & Company
Certified Public Accountants

FINANCIAL STATEMENTS

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2011

	<u>OPERATING</u>	<u>DUI SCHOOL</u>	<u>OTHER PROGRAMS</u>	<u>2012 TOTAL</u>	<u>2011 TOTAL FOR COMPARISON ONLY</u>
ASSETS					
Cash	\$ 1,558,013	\$ 100,622	\$ 8,361	\$ 1,666,996	\$ 1,737,943
Accounts Receivable	636,004	2,359	-	638,363	679,861
Prepaid Expenses	12,946	241	6	13,193	12,520
Property & Equipment (Net)	2,182,196	13,663	644	2,196,503	2,229,914
Unamortized Loan Costs	<u>3,889</u>	<u>-</u>	<u>-</u>	<u>3,889</u>	<u>7,223</u>
 Total Assets	 <u>\$ 4,393,048</u>	 <u>\$ 116,885</u>	 <u>\$ 9,011</u>	 <u>\$ 4,518,944</u>	 <u>\$ 4,667,461</u>
LIABILITIES					
Accounts Payable & Accrued Expenses	\$ 182,129	\$ 5,262	\$ 28	\$ 187,419	\$ 39,155
Accrued Vacation	229,837	17,474	-	247,311	230,897
Long Term Debt	<u>1,055,252</u>	<u>6,359</u>	<u>-</u>	<u>1,061,611</u>	<u>1,107,246</u>
 Total Liabilities	 1,467,218	 29,095	 28	 1,496,341	 1,377,298
 DEFERRED REVENUE	 <u>-</u>	 <u>15,084</u>	 <u>-</u>	 <u>15,084</u>	 <u>15,084</u>
 TOTAL LIABILITIES AND DEFERRED REVENUE	 1,467,218	 44,179	 28	 1,511,425	 1,392,382
 UNRESTRICTED NET ASSETS	 <u>2,925,830</u>	 <u>72,706</u>	 <u>8,983</u>	 <u>3,007,519</u>	 <u>3,275,079</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 4,393,048</u>	 <u>\$ 116,885</u>	 <u>\$ 9,011</u>	 <u>\$ 4,518,944</u>	 <u>\$ 4,667,461</u>

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

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2011

	OPERATING	DUI SCHOOL	OTHER PROGRAMS	2012 TOTAL	2011 TOTAL FOR COMPARISON ONLY
UNRESTRICTED NET ASSETS					
Support					
State of Florida	\$ 3,390,470	\$ -	\$ -	\$ 3,390,470	\$ 3,391,088
In-Kind	137,692	-	-	137,692	142,938
Program Fees	404,291	-	-	404,291	630,960
School Registration Fees	-	246,209	1,083	247,292	274,378
Supervision Fees	-	54,658	-	54,658	37,445
Food Stamps	26,872	-	-	26,872	35,188
Other Contract Services	282,625	-	-	282,625	182,110
Miscellaneous	20,565	30,235	125	50,925	69,059
TOTAL UNRESTRICTED SUPPORT	4,262,515	331,102	1,208	4,594,825	4,763,166
Expenses					
Program Services					
Detox	989,574	-	-	989,574	968,713
Outpatient	989,883	-	-	989,883	890,767
Prevention	213,963	-	-	213,963	177,469
Intervention	142,216	-	-	142,216	191,540
Room & Board Supervision	336,845	-	-	336,845	330,656
Residential	724,145	-	-	724,145	742,238
Prevention/Intervention-Day	175,860	-	-	175,860	170,155
Outreach	73,634	-	-	73,634	66,917
Aftercare	3,899	-	-	3,899	3,860
Incidental Expenses	20,213	-	-	20,213	20,625
D.U.I. School	-	270,846	-	270,846	256,093
D.U.I. Supervision	-	39,131	-	39,131	40,748
D.A.T.E. Program	-	-	106	106	146
Traffic School	-	-	-	-	-
TOTAL	3,670,232	309,977	106	3,980,315	3,859,927
ADMINISTRATION & GENERAL	874,670	7,400	-	882,070	818,361
TOTAL EXPENSES	4,544,902	317,377	106	4,862,385	4,678,288
Internal Accounts					
Internal Rent	(48,000)	48,000	-	-	-
INCREASE IN UNRESTRICTED NET ASSETS	(234,387)	(34,275)	1,102	(267,560)	84,878
NET ASSETS AT BEGINNING OF YEAR	3,160,217	106,981	7,881	3,275,079	3,190,201
NET ASSETS AT END OF YEAR	\$ 2,925,830	\$ 72,706	\$ 8,983	\$ 3,007,519	\$ 3,275,079

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

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2012
 WITH COMPARATIVE TOTALS AS OF JUNE 30, 2011

	Program Services											
	DETOX	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	\$ 646,958	\$ 739,528	\$ 185,743	\$ 118,362	\$ 210,262	\$ 436,489	\$ 14,536	\$ 56,327	\$ 3,899	\$ -	\$ 184,604	\$ 31,289
Fringe Benefits	28,467	32,084	7,073	5,432	10,565	19,891	141,192	2,411	-	-	9,150	1,118
Total Personnel Services	675,425	771,612	192,816	123,794	220,827	456,380	155,728	58,738	3,899	-	193,754	32,407
Operating Expenses												
Building Occupancy	48,197	59,980	-	3,707	21,770	49,729	32	4,177	-	-	18,473	2,052
Professional Services	54,890	28,228	195	1,580	4,896	8,471	357	2,098	-	-	8,760	973
Travel	291	13,819	9,121	6,092	85	256	1,544	743	-	-	1,445	156
Equipment Costs	17,872	8,289	2,304	206	16,863	30,454	1,490	597	-	-	7,207	791
Food Services	54,367	-	-	-	17,062	36,707	-	-	-	-	-	-
Medical and Pharmacy	25,251	20,026	-	2,006	491	1,472	-	1,736	-	-	242	27
Insurance	14,796	24,664	1,096	1,331	16,687	31,507	6,577	1,824	-	-	4,932	548
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Operating Supplies and Expenses	57,136	45,718	6,966	3,485	10,362	25,967	6,473	2,973	-	20,213	25,010	1,777
Depreciation	16,013	4,448	1,465	15	4,542	13,572	1,619	285	-	-	3,222	261
Amortization	-	-	-	-	-	-	-	-	-	-	-	-
Bad Debts	-	-	-	-	-	-	-	-	-	-	7,801	139
Donated Items (In Kind)	25,336	12,917	-	-	23,260	69,630	2,040	447	-	-	-	-
Total Operating Expenses	314,149	218,089	21,147	18,422	116,018	267,765	20,132	14,880	-	20,213	77,092	6,724
Total Expenses Before Additional Items	989,574	989,701	213,963	142,216	336,845	724,145	175,860	73,618	3,899	20,213	270,846	39,131
Loss on Disposal of Assets	-	182	-	-	-	-	-	16	-	-	-	-
Indirect Cost Cash Transfer	-	-	-	-	-	-	-	-	-	-	6,700	700
Internal Rent Charges	-	-	-	-	-	-	-	-	-	-	43,200	4,800
TOTAL EXPENSES	\$ 989,574	\$ 989,883	\$ 213,963	\$ 142,216	\$ 336,845	\$ 724,145	\$ 175,860	\$ 73,634	\$ 3,899	\$ 20,213	\$ 320,746	\$ 44,631

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2012
 WITH COMPARATIVE TOTALS AS OF JUNE 30, 2011

Program Services

	D.A.T.E. PROGRAM	TRAFFIC SCHOOL	TOTAL	ADMINISTRATIVE AND GENERAL	TOTAL 2012	TOTAL 2011
Personnel Services						
Employee Leasing Costs	\$ -	\$ -	\$ 2,627,997	\$ 629,058	\$ 3,257,055	\$ 3,249,051
Fringe Benefits	-	-	257,383	34,607	291,990	148,592
Total Personnel Services	-	-	<u>2,885,380</u>	<u>663,665</u>	<u>3,549,045</u>	<u>3,397,643</u>
Operating Expenses						
Building Occupancy	-	-	208,117	8,807	216,924	214,734
Professional Services	-	-	110,448	29,669	140,117	116,616
Travel	-	-	33,552	3,664	37,216	38,823
Equipment Costs	-	-	86,073	19,118	105,191	106,372
Food Services	-	-	108,136	-	108,136	94,439
Medical and Pharmacy	-	-	51,251	-	51,251	55,975
Insurance	-	-	103,962	13,622	117,584	106,695
Interest	-	-	-	60,208	60,208	63,264
Operating Supplies and Expenses	-	-	206,080	37,106	243,186	244,140
Depreciation	106	-	45,548	37,205	82,753	81,860
Amortization	-	-	-	3,334	3,334	3,334
Bad Debts	-	-	7,940	-	7,940	6,337
Donated Items (In Kind)	-	-	133,630	4,062	137,692	142,938
Total Operating Expenses	<u>106</u>	<u>-</u>	<u>1,094,737</u>	<u>216,795</u>	<u>1,311,532</u>	<u>1,275,527</u>
Total Expenses Before Additional Items	106	-	3,980,117	880,460	4,860,577	4,673,170
Loss on Disposal of Assets	-	-	198	1,610	1,808	5,118
Indirect Cost Cash Transfer	-	-	7,400	(7,400)	-	-
Internal Rent Charges	-	-	48,000	(48,000)	-	-
TOTAL EXPENSES	<u>\$ 106</u>	<u>\$ -</u>	<u>\$ 4,035,715</u>	<u>\$ 826,670</u>	<u>\$ 4,862,385</u>	<u>\$ 4,678,288</u>

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
STATEMENTS OF CASH FLOW
JUNE 30, 2012
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2011

	OPERATING	DUI SCHOOL	OTHER PROGRAMS	2012 TOTAL	2011 TOTAL FOR COMPARISON ONLY
<u>CASH PROVIDED (USED) BY OPERATIONS</u>					
Increase (Decrease) in Net Assets	\$ (234,387)	\$ (34,275)	\$ 1,102	\$ (267,560)	\$ 84,878
Items not Requiring Cash:					
Depreciation	79,164	3,483	106	82,753	81,860
Amortization	3,333	-	-	3,333	3,333
Increase (Decrease) from Change in:					
Miscellaneous Receivables	41,876	(378)	-	41,498	44,908
Prepaid Expenses	(658)	(13)	-	(671)	(3,251)
Accounts Payable	147,453	905	(94)	148,264	2,196
Accrued Leave	14,458	1,956	-	16,414	16,192
TOTAL	<u>51,239</u>	<u>(28,322)</u>	<u>1,114</u>	<u>24,031</u>	<u>230,116</u>
<u>CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES</u>					
Acquisition of Property and Equipment	(72,866)	-	-	(72,866)	(42,471)
Disposition of Property and Equipment	23,524	-	-	23,524	5,115
TOTAL	<u>(49,342)</u>	<u>-</u>	<u>-</u>	<u>(49,342)</u>	<u>(37,356)</u>
<u>CASH PROVIDED (USED) BY FINANCING ACTIVITIES</u>					
Proceeds of Notes Payable	50,204	-	-	50,204	12,500
Repayment of Notes Payable	(90,540)	(5,300)	-	(95,840)	(69,107)
TOTAL	<u>(40,336)</u>	<u>(5,300)</u>	<u>-</u>	<u>(45,636)</u>	<u>(56,607)</u>
NET INCREASE (DECREASE) IN CASH	(38,439)	(33,622)	1,114	(70,947)	136,153
CASH BALANCE - Beginning of Year	<u>1,596,452</u>	<u>134,244</u>	<u>7,247</u>	<u>1,737,943</u>	<u>1,601,790</u>
CASH BALANCE - End of Year	<u>\$ 1,558,013</u>	<u>\$ 100,622</u>	<u>\$ 8,361</u>	<u>\$ 1,666,996</u>	<u>\$ 1,737,943</u>

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, 2012

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, 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, 2012. 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, 2012, these funds are as follows:

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

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. It 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, 2011, from which the summarized information was derived.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 1 - PROPERTY AND EQUIPMENT

	OPERATING	DUI 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, & Equipment	528,047	90,178	4,718	622,943
Less Accumulated Depreciation	<u>(1,273,206)</u>	<u>(76,515)</u>	<u>(4,074)</u>	<u>(1,353,795)</u>
Property and Equipment - Net	<u>\$ 2,182,196</u>	<u>\$ 13,663</u>	<u>\$ 644</u>	<u>\$ 2,196,503</u>
2011 - Net	<u>\$ 2,212,018</u>	<u>\$ 17,146</u>	<u>\$ 750</u>	<u>\$ 2,229,914</u>

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, 2012 and 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.

	<u>2012</u>	<u>2011</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.	\$ 1,018,940	\$ 1,082,208
\$250,000 line of credit. Dated December 30, 2011. Interest based on bank prime, 4.50% at June 30, 2012. 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. Paid off December 2011.	-	13,380
Due in monthly installments of \$800 beginning February 1, 2012 including interest at 4.25% fixed through February 2016. Financing of two GMC Terrain vehicles	36,312	-
Both Worlds Software, Inc: Financing of DUI/SSS software and maintenance. Due in 23 monthly payments of \$530 beginning June 1, 2011 with a final payment due April 1, 2013. Initial amount \$16,250 with no interest.	<u>6,359</u>	<u>11,658</u>
TOTAL	<u>\$ 1,061,611</u>	<u>\$ 1,107,246</u>

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2012

NOTE 3- LONG-TERM DEBT

Principal debt maturities for the subsequent years are

<u>June 30,</u>		
2013	\$	76,351
2014		966,548
2015		8,800
2016		<u>9,912</u>
Total	\$	<u>1,061,611</u>

Total interest paid for 2012 and 2011 was \$60,208 and \$63,264 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>2012</u>	<u>2011</u>
Department of Children and Families		
Alcohol, Drug Abuse and Mental Health		
Contract BDV01	<u>\$ 3,390,470</u>	<u>\$ 3,391,088</u>

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. As of July 1, 2012 this grant contract with the State of Florida, Department of Children and Families was awarded an additional year through June 30, 2013. See Note 13 for projected funding changes.

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 \$137,692 for 2012 and \$142,938 for 2011. Expenditures for the same period were \$137,692 and \$142,938 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

C.A.R.E. participates in an employee leasing arrangement whereby most employment related issues were transferred to the leasing company. These include 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.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2012

NOTE 6 - PERSONNEL MANAGEMENT – continued

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. The plan’s vesting schedule is 0% after years 1 and 2 and 100% after year 3. Employer contributions for the years ended June 30, 2012 and 2011 were \$156,581 and \$141,549 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, 2012 and 2011, totaled \$74,354 and \$76,121 respectively. Estimated rental for significant leases for the year ending June 30, 2013 is as follows:

<u>PROPERTY</u>	<u>EXPIRATION DATE</u>	<u>AMOUNT</u>
Jackson County Office	June 2014	\$ 28,020
Four Vehicles	Sept. 2012 - Sept. 2013	18,084
Eight Copiers	August 2012	2,409
One Copier	June 2015	2,322
Two Vehicles	April 2015	2,483
Nine Copiers	July 2016	<u>14,486</u>
Total Estimated Annual Rent for June 30, 2013		<u>\$ 67,804</u>

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

<u>June 30,</u>	
2013	\$ 67,804
2014	49,315
2015	18,699
2016	14,487

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2012

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.

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 2012</u>	<u>Total D.U.I. Program 2011</u>
Support:				
School Registration Fees	\$ 246,209	\$ 54,658	\$ 300,867	\$ 310,241
Miscellaneous Income	<u>23,597</u>	<u>6,638</u>	<u>30,235</u>	<u>30,055</u>
Total Support	269,806	61,296	331,102	340,296
Total Expenses	<u>(320,746)</u>	<u>(44,631)</u>	<u>(365,377)</u>	<u>(352,241)</u>
Increase (Decrease) In unrestricted net assets	<u>\$ (50,940)</u>	<u>\$ 16,665</u>	<u>\$ (34,275)</u>	<u>\$ (11,945)</u>

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.

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.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2012

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

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 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>2012</u>	<u>2011</u>
Fees due from prior year	\$ 1,350	\$ 1,470
Fees collected current year	15,060	15,990
Fees remitted current year	(15,150)	(16,095)
Adjustments	<u>(15)</u>	<u>(15)</u>
Fees due State	<u>\$ 1,245</u>	<u>\$ 1,350</u>

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.

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 D.U.I. 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>2012</u>	<u>2011</u>
Total Program Expenses	<u>\$ 365,377</u>	<u>\$ 352,241</u>
Maximum operational cash allowed at 100%	\$ 365,377	\$ 352,241
Maximum reserve cash allowed at 50%	<u>182,689</u>	<u>176,121</u>
Total cash allowed to be retained	<u>\$ 548,066</u>	<u>\$ 528,362</u>
Actual cash on hand June 30	<u>\$ 100,622</u>	<u>\$ 134,244</u>

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2012

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 amounts required a twenty-five percent (25%) local match:

	<u>2012</u>	<u>2011</u>
Contract Number BDV01	\$ 3,391,088	\$ 3,391,088
Less Portion not Requiring Match	<u>(2,963,326)</u>	<u>(2,963,326)</u>
Support Requiring Local Match	<u>\$ 427,762</u>	<u>\$ 427,762</u>

During the fiscal years ended June 30, 2012 and 2011, the reimbursable expenses were as follows:

	<u>2012</u>	<u>2011</u>
Total Expenses	\$ 4,862,385	\$ 4,678,289
Less: Non-Matching Revenues:		
Florida Department of Children and Families	2,962,708	2,963,326
Florida Department of Corrections	-	78,991
Medicaid	172,647	407,094
Other	46,731	52,282
Less: Non-Reimbursable		
Depreciation	2,606	2,577
Other	<u>10,648</u>	<u>10,386</u>
Reimbursable Expenses	<u>1,667,045</u>	<u>1,163,633</u>
Maximum Available Earnings (75%)	1,250,284	872,725
State Funds Requiring Match	<u>\$ 427,762</u>	<u>\$ 427,762</u>
Excess Expenses	<u>\$ 822,522</u>	<u>\$ 444,963</u>

Non-matching revenue from the Florida Department of Children and Families for 2012 has been reduced by \$618, the amount actual receipts were under the contract amount.

During the years ended June 30, 2012 and 2011, 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, \$33,663 and \$17,466, respectively, are not considered grants by the Organization and, therefore, not included in non-matching revenues above. Additionally, in 2012 it was determined that the contract funds from The Florida Department of Corrections was contract for services and not sub-grantee funds, therefore, the current year amount of \$96,451 was not subtracted when computing match.

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 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, 2012, cash balances in banks totaled \$1,702,112 of which \$143,914 was not covered by FDIC.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 12 – MEDICAID AUDIT

A site review on April 10, 2012 of service records related to Medicaid Billings for the period July 2010 through June 2011 was performed by Magellan Medicaid Administration. (Magellan) The review findings indicated 1,152 claims non compliant out of 1,623 claims reviewed. CARE management did not agree with these findings and submitted an appeal through Magellan. On June 20, 2012, the Organization received word that only one claim finding had been reversed.

During the time frame of this process, April through June 2012, Medicaid claims were not billed. Magellan provided an evaluator onsite to instruct how to process the Medicaid claims to be paid back to Medicaid, as well as future claims. Claims for the period April through June 2012 could not be processed since performance improvement plans were not yet in place.

CARE responded with a performance improvement plan to identify the deficiencies in properly documenting services for residential clients. The plan was accepted by Magellan on September 10, 2012. CARE has resumed billing Medicaid claims and believes that all deficiencies noted by the Medicaid Audit are resolved.

As a result of these findings, CARE is required to repay \$135,757. This amount was subtracted from current Medicaid revenues and included in accounts payable as of June 30, 2012. It will be repaid through deductions from future Medicaid billings.

NOTE 13 – PENDING FUNDING CHANGES

The Department of Children and Families (DCF) has determined that it is in the best interest of the clients that CARE serves for all services to be procured by a Managing Entity agency. The Department intends to transfer the administration, management, support and oversight of providers of substance abuse and mental health services to the selected Managing Entity agency. The providers will see no significant change in operations. CARE's management believes that the only impact will be an administrative cost charged by the Managing Entity to perform these functions. DCF is accepting competitive bids for the selection of the Managing Entity to serve the Northwest Region and cannot provide any information as to the details or timing of this process.

NOTE 14 – SUBSEQUENT EVENT EVALUATION

Management has evaluated subsequent events through October 11, 2012, 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, 2012

<u>Grantor/Program Title</u>	<u>Pass Through Grantor</u>	<u>CFDA/CSFA Number</u>	<u>Contract Grant Number</u>	<u>Current Expenditures</u>
<u>Federal Awards</u>				
United States Government Department of Health and Human Services Temporary Assistance for Needy Families	State of Florida, Department of Children and Families	93.558	BDV01	\$ 133,465
Social Services Block Grant	State of Florida, Department of Children and Families	93.667	BDV01	5,890
Block Grants for Prevention and Treatment of Substance Abuse	State of Florida, Department of Children and Families	93.959	BDV01	1,746,902
Department of Agriculture ARRA - Supplemental Nutrition Assistance Program (SNAP) Note (B)	State of Florida, Department of Children and Families	10.551	N/A	26,872
National School Breakfast Program	State of Florida, Department of Agriculture and Consumer Services	10.553	01-0253	5,812
National School Lunch Program	State of Florida, Department of Agriculture and Consumer Services	10.555	01-0253	8,914
National School Lunch Program Note (C)	State of Florida, Department of Agriculture and Consumer Services	10.555	01-0253	5,133
Total Expenditures of Federal Awards				<u>\$ 1,932,988</u>
<u>State Support</u>				
State of Florida Department of Children and Families Substance Abuse Prevention Services for Children	N/A	60.029	BDV01	\$ 25,342
Substance Abuse Treatment and Aftercare Services for Children	N/A	60.030	BDV01	567,044
Substance Abuse Detoxification Services for Adults	N/A	60.031	BDV01	371,446
Substance Abuse Prevention Services for Adults	N/A	60.032	BDV01	870
Substance Abuse Treatment and Aftercare Services for Adults	N/A	60.033	BDV01	529,647
Temporary Assistance for Needy Families - State Match for 93.558	N/A	N/A	BDV01	7,951
Prevention and Treatment of Substance Abuse - State match for 93.959	N/A	N/A	BDV01	1,914
Total Expenditures of State Support				<u>\$ 1,504,214</u>

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS
YEAR ENDED JUNE 30, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS - continued

A. This Schedule was prepared on the accrual basis of accounting. Where funds are available from grant and other sources, management considers the grant funds to be expended first.

B. Management has been informed that none of the money received from this grant is ARRA money.

C. This grant is in the form of Non cash commodity distributions.

SUPPLEMENTAL SCHEDULES REQUIRED BY
STATE ADM CONTRACT PROVISIONS

AUDIT SCHEDULE

Schedule of State Earnings for
Fiscal Year 06/30/12

1 Total Expenditures	\$4,874,102
2 Less Other State and Federal Funds	(\$349,492)
3 Less Non-Match SAMH Funds	(\$2,963,326)
4 Less Unallowable Costs per 65E-14, F.A.C.	(\$13,254)
5 Total Allowable Expenditures (Sum of lines 1, 2, 3, and 4)	\$1,548,030
6 Maximum Available Earnings (Line 5 times 75%)	\$1,161,023
7 Amount of State Funds Requiring Match	\$427,762
8 Amount Due to Department (Subtract line 7 from line 6)	\$733,261

AUDIT SCHEDULE

**Schedule of Related Party Transaction Adjustments
for the Fiscal Year Ending 06/30/12**

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

AUDIT SCHEDULE

Schedule of Bed-Day Availability Payments
For Fiscal Year Ending 06/30/12

Program	Cost Center	State Contracted Rate	Total Units of Service Provided	Total Units of Service Paid for by 3rd Party Contracts, Local Govt. or Other State Agencies	Maximum # of Units Eligible for Payment by Department	Amount Paid for Services by the Department	Maximum \$ Value of Units in Column F	Amount Owed to Department (G-H or \$0, whichever is greater)
A	B	C	D	E	(D-E) F	G	(F x C) H	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	130.54	5,359	\$878,101.00	\$1,098,367.73	\$0.00
Adult MH	Short-term Residential Treatment	\$0.00	0	0	0	\$0.00	\$0.00	\$0.00
Total Amount Owed to Department =								\$0.00

PART II: PROJECTED EXPENSES

EXPENSE CATEGORIES	STATE-DESIGNATED SAMH COST CENTERS																			Total for Program 1 (B2-a+...+B2-x)	Total for State SAMH-Funded Cost Centers (C1+...+C4)	Total for Non-State-Funded SAMH Cost Centers	Tot. for All State-Designated SAMH Cost Centers (D+E)	Non-SAMH Cost Center DUI	Other Support Costs (optional)	Administration	Total Expenses (F+G+H+I+J)							
	STATE SAMH-FUNDED COST CENTERS													*except HC & HD																				
	Combined Programs			Program 1																														
	ADULT S/A	ADOL S/A	Total for Program 1 or Combined (B1a+...+B1z)	DETOX	OUTPATIENT	OUTPATIENT GROUP	OUTREACH	AFTERCARE	AFTERCARE GROUP	INTERVENTION	INTERVENTION GROUP	RESIDENTIAL	ROOM & BOARD	PREVENTION	PREVINTER/DAY	INCIDENTAL EXP	B2-b	C2	D									E	F	G	H	I	J	
A	B1-a	B1-z	B2-a	B2-b	B2-c	B2-d	B2-e	B2-f	B2-g	B2-h	B2-i	B2-j	B2-k	B2-l	B2-m	B2-n	B2-o	B2-p	B2-q	B2-r	B2-s	B2-t	B2-u	B2-v	B2-w	B2-x	C2	D	E	F	G	H	I	J
II. PERSONNEL EXPENSES																																		
(1) Salaries	\$ 1,802,629	\$ 740,332	\$ 2,542,962	\$ 646,998	\$ 562,041	\$ 177,487	\$ 56,327	\$ 1,950	\$ 1,950	\$ 115,197	\$ 3,163	\$ 485,063	\$ 161,088	\$ 185,743	\$ 145,396	\$ -	\$ 2,542,962	\$ 2,542,962	\$ -	\$ 2,542,962	\$ 215,893	\$ -	\$ 629,098	\$ -	\$ 3,387,913									
(2) Fringe Benefits	\$ 81,001	\$ 35,254	\$ 116,255	\$ 28,407	\$ 24,383	\$ 7,700	\$ 2,412	\$ -	\$ -	\$ 5,323	\$ 109	\$ 25,594	\$ 4,802	\$ 7,073	\$ 10,332	\$ -	\$ 116,255	\$ 116,255	\$ -	\$ 116,255	\$ 10,270	\$ -	\$ 34,607	\$ -	\$ 161,132									
TOTAL PERSONNEL EXPENSES =	\$ 1,883,631	\$ 775,586	\$ 2,659,217	\$ 675,405	\$ 586,424	\$ 185,187	\$ 58,739	\$ 1,950	\$ 1,950	\$ 120,520	\$ 3,271	\$ 510,658	\$ 165,890	\$ 192,816	\$ 155,728	\$ -	\$ 2,659,217	\$ 2,659,217	\$ -	\$ 2,659,217	\$ 226,163	\$ -	\$ 663,705	\$ -	\$ 3,549,045									
III. OTHER EXPENSES																																		
(1) Building Occupancy	\$ 153,328	\$ 76,223	\$ 229,551	\$ 64,210	\$ 48,965	\$ 15,463	\$ 4,462	\$ -	\$ -	\$ 3,648	\$ 74	\$ 66,431	\$ 23,182	\$ 1,465	\$ 1,651	\$ -	\$ 229,551	\$ 229,551	\$ -	\$ 229,551	\$ 24,114	\$ -	\$ 46,012	\$ -	\$ 299,677									
(2) Professional Services	\$ 80,352	\$ 20,362	\$ 100,714	\$ 54,890	\$ 21,450	\$ 6,775	\$ 2,098	\$ -	\$ -	\$ 1,548	\$ 32	\$ 4,423	\$ 3,643	\$ 195	\$ 357	\$ -	\$ 100,714	\$ 100,714	\$ -	\$ 100,714	\$ 9,733	\$ -	\$ 28,699	\$ -	\$ 140,116									
(3) Travel	\$ 20,009	\$ 11,942	\$ 31,951	\$ 291	\$ 10,502	\$ 3,317	\$ 743	\$ -	\$ -	\$ 5,970	\$ 122	\$ 277	\$ 64	\$ 9,121	\$ 1,944	\$ -	\$ 31,951	\$ 31,951	\$ -	\$ 31,951	\$ 1,601	\$ -	\$ 3,664	\$ -	\$ 37,216									
(4) Equipment	\$ 54,681	\$ 23,364	\$ 78,075	\$ 17,872	\$ 6,300	\$ 1,989	\$ 597	\$ -	\$ -	\$ 202	\$ 4	\$ 37,791	\$ 9,526	\$ 2,304	\$ 1,490	\$ -	\$ 78,075	\$ 78,075	\$ -	\$ 78,075	\$ 7,998	\$ -	\$ 19,118	\$ -	\$ 105,191									
(5) Food Services	\$ 99,041	\$ 9,097	\$ 108,138	\$ 54,367	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,069	\$ 8,762	\$ -	\$ -	\$ -	\$ 108,138	\$ 108,138	\$ -	\$ 108,138	\$ -	\$ -	\$ -	\$ -	\$ 108,138									
(6) Medical and Pharmacy	\$ 44,371	\$ 6,611	\$ 50,982	\$ 25,251	\$ 15,220	\$ 4,805	\$ 1,736	\$ -	\$ -	\$ 1,968	\$ 40	\$ 1,660	\$ 303	\$ -	\$ -	\$ -	\$ 50,982	\$ 50,982	\$ -	\$ 50,982	\$ 260	\$ -	\$ (243)	\$ -	\$ 51,008									
(7) Subcontracted Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -									
(8) Insurance	\$ 59,335	\$ 39,147	\$ 98,482	\$ 14,795	\$ 18,745	\$ 5,919	\$ 1,824	\$ -	\$ -	\$ 1,304	\$ 27	\$ 37,174	\$ 11,020	\$ 1,098	\$ 6,577	\$ -	\$ 98,482	\$ 98,482	\$ -	\$ 98,482	\$ 5,450	\$ -	\$ 13,622	\$ -	\$ 117,564									
(9) Interest Paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -									
(10) Operating Supplies & Expenses	\$ 138,938	\$ 40,357	\$ 179,295	\$ 57,137	\$ 34,746	\$ 10,973	\$ 2,970	\$ -	\$ -	\$ 3,415	\$ 70	\$ 28,078	\$ 8,251	\$ 6,955	\$ 6,473	\$ 20,213	\$ 179,295	\$ 179,295	\$ -	\$ 179,295	\$ 34,727	\$ -	\$ 37,349	\$ -	\$ 251,371									
(11) Other	\$ 145	\$ 53	\$ 198	\$ -	\$ 138	\$ 44	\$ 16	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 198	\$ 198	\$ -	\$ 198	\$ 55,400	\$ -	\$ 4,944	\$ -	\$ 60,542									
(12) Donated Items	\$ 60,254	\$ 73,376	\$ 133,630	\$ 25,336	\$ 9,817	\$ 3,100	\$ 447	\$ -	\$ -	\$ -	\$ -	\$ 65,670	\$ 27,220	\$ -	\$ 2,040	\$ -	\$ 133,630	\$ 133,630	\$ -	\$ 133,630	\$ -	\$ -	\$ 4,662	\$ -	\$ 137,692									
TOTAL OTHER EXPENSES =	\$ 739,959	\$ 271,057	\$ 1,011,016	\$ 314,150	\$ 165,887	\$ 52,385	\$ 14,896	\$ -	\$ -	\$ 18,054	\$ 368	\$ 291,513	\$ 92,271	\$ 21,147	\$ 20,132	\$ 20,213	\$ 1,011,016	\$ 1,011,016	\$ -	\$ 1,011,016	\$ 139,322	\$ -	\$ 218,405	\$ -	\$ 1,368,743									
TOT. PERSONNEL & OTH. EXP. =	\$ 2,729,355	\$ 940,878	\$ 3,670,233	\$ 989,575	\$ 752,311	\$ 237,572	\$ 73,635	\$ 1,950	\$ 1,950	\$ 138,574	\$ 3,640	\$ 802,170	\$ 258,821	\$ 213,963	\$ 175,860	\$ 20,213	\$ 3,670,233	\$ 3,670,233	\$ -	\$ 3,670,233	\$ 365,485	\$ -	\$ 882,070	\$ -	\$ 4,917,798									
III. DISTRIBUTED INDIRECT COSTS																																		
(a) Other Support Costs (Optional)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -								
(b) Administration	\$ 577,167	\$ 304,903	\$ 882,070	\$ 123,490	\$ 93,852	\$ 29,638	\$ 44,104	\$ -	\$ -	\$ 95,087	\$ 1,941	\$ 257,035	\$ 60,510	\$ 88,207	\$ 65,207	\$ -	\$ 882,070	\$ 882,070	\$ -	\$ 882,070	\$ -	\$ -	\$ 882,070	\$ -	\$ 882,070									
TOT. DISTR'D INDIRECT COSTS =	\$ 577,167	\$ 304,903	\$ 882,070	\$ 123,490	\$ 93,852	\$ 29,638	\$ 44,104	\$ -	\$ -	\$ 95,087	\$ 1,941	\$ 257,035	\$ 60,510	\$ 88,207	\$ 65,207	\$ -	\$ 882,070	\$ 882,070	\$ -	\$ 882,070	\$ -	\$ -	\$ 882,070	\$ -	\$ 882,070									
TOTAL PROJECTED OPER. EXPENSES =	\$ 3,306,521	\$ 1,245,781	\$ 4,552,303	\$ 1,113,065	\$ 846,163	\$ 267,209	\$ 117,739	\$ 1,950	\$ 1,950	\$ 233,661	\$ 5,580	\$ 1,059,205	\$ 319,331	\$ 302,170	\$ 294,067	\$ 20,213	\$ 4,552,303	\$ 4,552,303	\$ -	\$ 4,552,303	\$ 365,485	\$ 0.00	\$ 0.00	\$ -	\$ -	\$ 4,917,788								
III. UNALLOWABLE COSTS																																		
	\$ (1,762)	\$ (854)	\$ (2,606)	\$ (252)	\$ (743)	\$ (234)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,377)	\$ -	\$ -	\$ (2,606)	\$ (2,606)	\$ -	\$ (2,606)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,606)								
III. TOTAL SAMH LINES OF CREDIT EQUIVALENT =	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -									
TOT. ALLOWABLE PROJ'D OPERATING EXP., Excluding SAMH Credit Equivalent =	\$ 3,304,759	\$ 1,244,927	\$ 4,549,697	\$ 1,112,813	\$ 845,421	\$ 266,975	\$ 117,739	\$ 1,950	\$ 1,950	\$ 233,661	\$ 5,580	\$ 1,059,205	\$ 319,331	\$ 300,793	\$ 294,067	\$ 20,213	\$ 4,549,697	\$ 4,549,697	\$ -	\$ 4,549,697	\$ 365,485	\$ -	\$ -	\$ -	\$ 4,915,182									
IV. CAPITAL EXPENDITURES	\$ 46,506	\$ 26,817	\$ 73,323	\$ 23,656	\$ 17,041	\$ 5,987	\$ -	\$ -	\$ -	\$ 2,834	\$ -	\$ 15,849	\$ 11,357	\$ -	\$ -	\$ -	\$ 73,323	\$ 73,323	\$ -	\$ 73,323	\$ 5,299	\$ -	\$ 14,455	\$ -	\$ 96,077									
III. BUDGET NARRATIVE (attach separate set of workpapers)																																		

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 _____

NOTE: FOR OUTPATIENT AND OUTPATIENT GROUP CC, USE ACTUAL SALARY FIGURES FROM PERSONNEL DETAIL INSTEAD OF COMBINING THE TWO COST CENTERS AND RECORDING UNDER OPIO/PGROUP COLUMN.

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, 2012, and have issued our report thereon dated October 11, 2012. 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

Management of Chemical Addictions Recovery Effort, Inc. is responsible for establishing and maintaining effective 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. However, we identified certain deficiencies in internal control over financial reporting, identified in the accompanying schedule of findings and questioned costs that we consider significant deficiencies in internal control over financial reporting. This item is listed as item 2012-1. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 instances of noncompliance that are required to be reported

Board of Directors
Page Two

under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2012-2.

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, 2012


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

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MEMBERS
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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, 2012. 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, 2012.

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.

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

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

October 11, 2012


Grimsley, Cavin & Company
Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

Part I - Summary of Auditor's Results

1. The independent auditor's report on the financial statements expressed an unqualified opinion.
2. We disclosed one significant deficiency during the audit of the financial statements that is reported in Part II of the Schedule of Findings and Questioned Costs. No material weaknesses were reported.
3. We disclosed one instance of noncompliance considered material to the financial statements that is reported in Part II of the Schedule of Findings and Questioned Costs.
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 Detoxification Services for Adults – CSFA #60.031
 - C. Substance Abuse Treatment and Aftercare Services for Adults – CSFA #60.033

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.

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 FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued

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.

Significant Deficiency

2012-1

Criteria –

The system of internal control should be designed sufficiently to ensure that laws and regulations are understood and followed.

Condition –

The organization's system of internal control appears to be insufficient to ensure that laws and regulations be followed.

Effect –

During April 2012 a Medicaid audit disclosed deficiencies in properly documenting services for residential clients. As a result, the audit disallowed billings to Medicaid in the amount of \$135,757.

The organization booked a payback liability of that amount as of September 30, 2012.

Cause –

Apparent staff misinterpretation of the related requirements.

Recommendation –

It is noted that the organization ceased billing Medicaid until the matter was resolved and additional training was instituted. Billings began again for services rendered after June 30, 2012. We recommend that the organization continue to review requirements of the various contracts and grants to ensure that they are complying with all aspects. The internal control system should be improved to require continual review of these requirements.

Questioned Costs –

Since the payback liability was booked, and further adjustment is not expected, there are no questioned costs. \$ _____ -

Views of Responsible Officials and Planned Corrective Actions -

Internal policies and procedures are reviewed and updated to ensure compliance with laws, regulations, grants and contract requirements. The organization has instituted improvements to the internal policies and procedures so that a continual review will be conducted to ensure requirements are met.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – Continued

Non Compliance

2012-2

Criteria –

Compliance with laws, regulations, contracts and grants is necessary to support operations.

Condition –

According to a Medicaid audit in April 2012, the organization did not comply with residential client documentation requirements.

Effect –

During April 2012 a Medicaid audit disclosed deficiencies in properly documenting services for residential clients. As a result, the audit disallowed billings to Medicaid in the amount of \$135,757.

Cause –

Not properly documenting residential client services in client files.

Recommendation –

The organization should ensure that staff members have sufficient training and understanding of contract requirements to prevent error in billing. It should be noted that the organization's management believes that it has sufficiently documented the services and disputes the Medicaid audit findings. However, an appeal resulted in little change. The organization's staff obtained additional training in this area and they believe they are now in compliance.

Questioned Costs –

Since payback liability was booked, and further adjustment is not expected, there are no questioned costs. \$ -

Views of Responsible Officials and Planned Corrective Actions -

The Organization submitted to the Medicaid administration a Performance Improvement Plan that was accepted and approved. This plan addresses changes in the organization's current process of review and submission of documentation as required by Medicaid policy. The organization will arrange, provide and participate in ongoing staff training related to Medicaid documentation requirements for each service reimbursed by Medicaid.

CHEMICAL ADDICTIONS RECOVERY EFFORT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – Continued

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.