

**DRUG ABUSE FOUNDATION OF
PALM BEACH COUNTY, INC.
FINANCIAL STATEMENTS
JUNE 30, 2012**

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT.....	1-2
 FINANCIAL STATEMENTS:	
Statement of Financial Position.....	3
Statement of Activities and Changes in Net Assets.....	4-5
Statement of Functional Expenses.....	6-8
Statement of Cash Flows.....	9
Notes to Financial Statements.....	10-17
 SUPPLEMENTARY SCHEDULE:	
Schedule of Expenditures of Federal Awards and State Financial Assistance.....	19-20
 REQUIRED REPORTS:	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	22-23
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	24-25
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL.....	26-27

Viniar & Company

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Drug Abuse Foundation of Palm Beach County, Inc. (the "Foundation") as of June 30, 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2011 financial statements, and in our report dated November 16, 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.

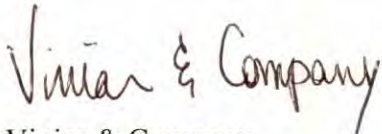
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Drug Abuse Foundation of Palm Beach County, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 6, 2012, on our consideration of Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Page 2

November 6, 2012

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



Viniar & Company

November 6, 2012

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR 2011

	<u>ASSETS</u>	
	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 160,879	\$ 70,844
Grants and contracts receivable	1,315,716	1,018,518
Client fees receivable (net of allowance for doubtful accounts of \$174,478)	611,348	487,086
Inventory	11,786	9,280
Prepaid expenses	54,881	49,216
Total current assets	<u>2,154,610</u>	<u>1,634,944</u>
Fixed assets		
Property and equipment (Note B)	6,033,703	5,891,418
Accumulated depreciation	<u>(3,486,140)</u>	<u>(3,250,982)</u>
Net fixed assets	<u>2,547,563</u>	<u>2,640,436</u>
Other assets		
Deposits	<u>12,848</u>	<u>12,777</u>
Total other assets	<u>12,848</u>	<u>12,777</u>
TOTAL ASSETS	<u><u>\$ 4,715,021</u></u>	<u><u>\$ 4,288,157</u></u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current liabilities		
Accounts payable	\$ 614,885	\$ 95,869
Accrued payroll liabilities	191,493	202,545
Note payable	120,000	-
Mortgage payable, current portion (Note C)	<u>82,938</u>	<u>62,048</u>
Total current liabilities	1,009,316	360,462
Mortgage payable, long-term portion (Note C)	<u>1,708,801</u>	<u>1,802,097</u>
Total liabilities	<u>2,718,117</u>	<u>2,162,559</u>
Net assets, unrestricted	<u>1,996,904</u>	<u>2,125,598</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,715,021</u></u>	<u><u>\$ 4,288,157</u></u>

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012</u>	<u>2011</u>
Support and Revenues				
Public support				
Federal and State ADM grants				
Adult substance abuse - District 9	\$ -	\$ 2,328,586	\$ 2,328,586	\$ 2,401,964
Child/adolescent substance abuse - District 9	-	522,813	522,813	522,813
Access To Recovery	-	62,024	62,024	45,421
Palm Beach County	-	1,535,831	1,535,831	757,932
Contributions and donations	104,183	-	104,183	80,766
Contributions - in - kind	-	143,716	143,716	50,000
Total public support	<u>104,183</u>	<u>4,592,970</u>	<u>4,697,153</u>	<u>3,858,896</u>
Other revenues				
Client fees	676,333	-	676,333	681,462
Food Stamps	-	40,069	40,069	40,254
State and local service revenue (Note I)	-	155,379	155,379	930,079
Other	4,544	-	4,544	6,944
Investment income	421	-	421	315
Rental income	55,411	-	55,411	53,034
Total other revenues	<u>736,709</u>	<u>195,448</u>	<u>932,157</u>	<u>1,712,088</u>
Temporarily restricted net assets released from restriction	<u>4,788,418</u>	<u>(4,788,418)</u>	<u>-</u>	<u>-</u>
Total all funding and revenues	<u>5,629,310</u>	<u>-</u>	<u>5,629,310</u>	<u>5,570,984</u>

(continued)

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011
(continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012</u>	<u>2011</u>
Expenses				
Program services				
Assessment services	193,965	-	193,965	455,393
TASC services	267,187	-	267,187	230,003
Intervention services	165,226	-	165,226	130,960
Detox/Medical services	1,077,468	-	1,077,468	1,154,989
Outpatient services	286,879	-	286,879	229,891
Case management	111,915	-	111,915	62,016
Residential level II	1,647,687	-	1,647,687	1,444,791
Residential level IV	-	-	-	663,786
Prevention	333,935	-	333,935	371,995
Day/Night treatment	-	-	-	106,188
Correction services	-	-	-	145,634
Purchased services	784,204	-	784,204	-
Outreach	276,497	-	276,497	232,665
Total program services	<u>5,144,963</u>	<u>-</u>	<u>5,144,963</u>	<u>5,228,311</u>
Support services				
Administration	552,286	-	552,286	559,868
Total functional expenses	<u>5,697,249</u>	<u>-</u>	<u>5,697,249</u>	<u>5,788,179</u>
Other				
Expenses of rental income	60,755	-	60,755	65,871
Total other expenses	<u>60,755</u>	<u>-</u>	<u>60,755</u>	<u>65,871</u>
Total expenses	<u>5,758,004</u>	<u>-</u>	<u>5,758,004</u>	<u>5,854,050</u>
Change in net assets	(128,694)	-	(128,694)	(283,066)
Net assets, beginning of year	2,125,598	-	2,125,598	2,408,664
Net assets, end of year	<u>\$ 1,996,904</u>	<u>\$ -</u>	<u>\$ 1,996,904</u>	<u>\$ 2,125,598</u>

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	PROGRAM SERVICES			
	Assessment Services	TASC Services	Intervention Services	Detox/Med Services
Salaries	\$ 124,250	\$ 138,378	\$ 93,622	\$ 502,435
Payroll taxes and other	13,466	12,279	8,175	46,953
Employee benefits	13,407	15,923	12,170	43,243
Total salaries and related expenses	151,123	166,580	113,967	592,631
Rent	-	45,845	-	-
Rent in-kind	-	-	-	-
Telephone	2,465	3,065	2,385	2,620
Office supplies	12	100	136	238
Insurance	9,741	11,129	3,855	39,265
Professional fees	983	-	-	228,624
Travel	586	3,016	177	42
Utilities	415	3,423	3,537	7,542
Repairs and maintenance	616	4,117	4,845	7,420
Data processing	329	2,064	2,643	2,848
Postage	36	2,024	1,209	10
Printing and reproduction	694	45	60	267
Auto and fuel	56	339	423	423
Equipment rental	-	-	-	-
Food	-	-	-	16,510
Medical supplies	-	-	-	37,368
Interest	2,460	14,757	18,446	18,446
Bad debts	22,500	-	-	101,475
Other	786	3,677	4,722	11,073
Total direct expense	192,802	260,181	156,405	1,066,802
Depreciation of building and equipment	2,247	13,510	16,951	19,565
Total expenses	195,049	273,691	173,356	1,086,367
Less: expenses of rental income	1,084	6,504	8,130	8,899
Net functional expenses	<u>\$ 193,965</u>	<u>\$ 267,187</u>	<u>\$ 165,226</u>	<u>\$ 1,077,468</u>
Allocation of administration	<u>\$ 13,971</u>	<u>\$ 40,516</u>	<u>\$ 39,119</u>	<u>\$ 90,812</u>

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

PROGRAM SERVICES

Outpatient Services	Case Management	Residential Level II	Prevention Services	Purchased Services
\$ 185,665	\$ 86,886	\$ 790,197	\$ 182,700	\$ -
10,036	7,265	78,312	20,961	-
<u>23,695</u>	<u>5,397</u>	<u>83,400</u>	<u>21,392</u>	<u>-</u>
219,396	99,548	951,909	225,053	-
9,363	-	-	2,455	-
-	-	-	-	-
4,704	293	12,567	3,815	-
203	16	2,165	491	-
13,970	3,975	80,718	11,891	-
-	-	50,186	-	-
609	431	143	2,601	-
9,239	502	48,959	39,164	-
5,769	693	41,843	12,404	-
1,702	349	11,895	3,266	-
2,011	59	790	181	-
266	8	189	49	-
169	1,749	2,031	310	-
-	-	-	-	-
-	-	148,580	-	-
-	-	8,202	-	-
7,379	2,460	39,352	13,527	-
4,500	-	96,525	-	-
<u>3,159</u>	<u>629</u>	<u>30,167</u>	<u>7,470</u>	<u>784,204</u>
282,439	110,712	1,526,221	322,677	784,204
7,692	2,287	138,039	17,220	-
<u>290,131</u>	<u>112,999</u>	<u>1,664,260</u>	<u>339,897</u>	<u>784,204</u>
3,252	1,084	16,573	5,962	-
<u>\$ 286,879</u>	<u>\$ 111,915</u>	<u>\$ 1,647,687</u>	<u>\$ 333,935</u>	<u>\$ 784,204</u>
<u>\$ 36,325</u>	<u>\$ 8,383</u>	<u>\$ 205,095</u>	<u>\$ 55,884</u>	<u>\$ 29,619</u>

(continued)

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011
(continued)

	SUPPORT				
	Outreach	Total for all Programs	Administration	Total Expenses	
				2012	2011
Salaries	\$ 184,828	\$ 2,288,961	\$ 376,778	\$ 2,665,739	\$ 2,909,542
Payroll taxes and other	17,804	215,251	41,855	257,106	285,343
Employee benefits	8,829	227,456	36,303	263,759	315,602
Total salaries and related expenses	211,461	2,731,668	454,936	3,186,604	3,510,487
Rent	22,889	80,552	-	80,552	35,523
Rent in-kind	-	-	-	-	50,000
Telephone	3,988	35,902	5,136	41,038	47,409
Office supplies	70	3,431	702	4,133	6,797
Insurance	6,199	180,743	16,639	197,382	189,238
Professional fees	-	279,793	22,813	302,606	419,559
Travel	1,318	8,923	1,729	10,652	11,160
Utilities	3,076	115,857	7,532	123,389	152,034
Repairs and maintenance	2,846	80,553	4,602	85,155	81,847
Data processing	972	26,068	6,927	32,995	36,492
Postage	831	7,151	1,271	8,422	7,182
Printing and reproduction	25	1,603	3,385	4,988	1,555
Auto and fuel	141	5,641	104	5,745	5,460
Equipment rental	-	-	-	-	9
Food	-	165,090	-	165,090	197,523
Medical supplies	-	45,570	-	45,570	59,716
Interest	6,149	122,976	-	122,976	137,069
Bad debts	-	225,000	-	225,000	431,886
Other	13,236	859,123	21,426	880,549	234,602
Total direct expense	\$ 273,201	\$ 4,975,644	\$ 547,202	\$ 5,522,846	\$ 5,615,548
Depreciation of building and equipment	6,006	223,517	11,641	235,158	238,502
Total expenses	279,207	5,199,161	558,843	5,758,004	\$ 5,854,050
Less: expenses of rental income	2,710	54,198	6,557	60,755	65,871
Net functional expenses	\$ 276,497	\$ 5,144,963	\$ 552,286	\$ 5,697,249	\$ 5,788,179
Allocation of administration	\$ 39,119	\$ 558,843	\$ (558,843)		

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012	2011
Operating cash flows:		
Cash received from public support and other revenues	\$ 4,927,018	\$ 4,580,879
Cash paid to employees and suppliers	(4,614,393)	(5,152,517)
Net rental income	(5,344)	(12,837)
Investment income	421	315
Interest paid	(122,976)	(137,069)
Net operating cash flows	184,726	(721,229)
Investing cash flows:		
Purchase of property and equipment	(142,285)	(76,294)
Net investing cash flows	(142,285)	(76,294)
Financing cash flows:		
Borrowings from line of credit	120,000	-
Payment on mortgage	(72,406)	(61,424)
Net financing cash flows	47,594	(61,424)
Net increase (decrease) in cash and cash equivalents	90,035	(858,947)
Cash and cash equivalents - beginning of year	70,844	929,791
Cash and cash equivalents - end of year	\$ 160,879	\$ 70,844

Reconciliation of Change in
Net Assets to Operating Cash Flows

Change in net assets	\$ (128,694)	\$ (283,066)
Add: Depreciation expense	235,158	238,502
Bad debts	225,000	431,886
Change in:		
Accounts receivable	(646,460)	(936,756)
Inventory	(2,506)	1,113
Prepaid expenses	(5,665)	33,263
Deposits	(71)	-
Accounts payable	519,016	(145,057)
Accrued payroll liabilities	(11,052)	(61,114)
Net operating cash flow	\$ 184,726	\$ (721,229)

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A – SUMMARY OF ACCOUNTING POLICIES

Nature of Organization

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

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

Promises to Give

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

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

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

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

If a restriction is fulfilled in the same period in which the contribution is received, the contribution is reported as temporarily restricted, and is released from the restriction in the same period.

Contributions

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

Cash and Cash Equivalents

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

The Foundation maintains its cash at a financial institution in Palm Beach County. The accounts are fully insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2012, the Foundation had no uninsured deposits.

Investments

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

Client Fees Receivable

Accounts receivable from clients are carried at amounts estimated to be realized by the Foundation based on past experience. The Foundation policy for bad debts is to write off the following items: any balances from accounts that have had no activity in the last twelve months, accounts of clients who no longer have contact addresses and accounts which are known to be in bankruptcy. Since there is normally a six month delay in collection from clients in residential treatment, the Foundation has implemented several new initiatives that better ensure the collectability of client fees. At June 30, 2012 the allowance for doubtful accounts was \$174,478.

Grant and Contract Receivable/Revenue

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

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

Inventory

The Foundation purchases office supplies, janitorial supplies, medical testing kits and medical supplies in bulk. The purchases are recorded in inventory at cost and charged to their respective departments, at cost, when removed from the store room. At June 30, 2012, total inventory was \$11,786.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Foundation capitalizes property and equipment in excess of \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to thirty years. Maintenance and repairs are charged to expense when incurred.

During the year ended June 30, 2012, the Foundation received a donation of furniture from The Breakers, which was installed in the administration building and residential buildings. The value of the furniture has been reflected in the financial statements as contributions-in-kind.

Donated Services and Rent

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

Income Taxes

The Foundation is a not-for-profit corporation exempt from Federal income taxes under Internal Revenue Code of 1986 Section 501 (c) (3). Therefore, no income taxes are required to be paid on activities related to their mission. The Foundation holds rental property from which it collects unrelated rental income. Expenses related to the rental property are allocated as such and are not included in the functional expenses. Income taxes are due on net rental income. For the year ended June 30, 2012 the Foundation had no taxable income, and therefore no income tax expense.

The Foundation's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2010, 2011 and 2012 are subject to examination by IRS, generally for three years after they were filed.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Functional Expenses

The grant contract with the Department of Children and Families has reporting requirements, one of which requires the Foundation to include a Schedule of Program/Cost Center Actual Expenses. The Foundation presents its Statement of Functional Expenses in this format, which satisfies this requirement.

Summarized Financial Information for 2011

The financial information for the year ended June 30, 2011, presented for comparative purposes, is not intended to be a complete financial statement presentation. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

NOTE B – LAND, BUILDING, AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2012	2011
Land	\$ 325,000	\$ 325,000
Building	3,969,701	3,969,701
Building improvements	797,591	757,210
Furniture and equipment	872,218	770,314
Vehicles	69,193	69,193
Total	<u>6,033,703</u>	<u>5,891,418</u>
Less: accumulated depreciation	<u>3,486,140</u>	<u>3,250,982</u>
Net	<u>\$ 2,547,563</u>	<u>\$ 2,640,436</u>

Depreciation expense for the years ended June 30, 2012 and 2011 was \$235,158 and \$238,502, respectively. These amounts represent a combination of amounts charged to both functional expenses and expenses of rental income.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE C – MORTGAGE NOTE PAYABLE

Mortgage payable consists of the following at June 30, 2012:

Mortgage note payable to Northern Trust dated February 1, 2007, modified April 10, 2012 and due on February 1, 2017. Interest rate is 4.38% amortized over 20 years with monthly payments of \$13,943 until maturity. The loan is collateralized by real property, assignment of rents, and financing agreements thereon.

	\$ 1,791,739
Less: current portion	<u>82,938</u>
	<u>\$ 1,708,801</u>

The aggregate maturities of the mortgage payable subsequent to June 30, 2012 are as follows:

2013	\$ 82,938
2014	94,351
2015	98,567
2016	102,972
2017	107,574
Thereafter	<u>1,305,337</u>
	<u>\$ 1,791,739</u>

The Foundation has an available line of credit with a bank that allows for borrowings up to \$250,000. Interest is payable at Northern Trust Bank's floating prime rate. At June 30, 2012, the interest rate on this note was 3.25%. The amount outstanding on this line of credit was \$120,000 at June 30, 2012. The line of credit matures on December 15, 2012 and is collateralized by the assets of the Foundation. Interest expense for the year ended June 30, 2012 was \$122,976.

NOTE D – MATCHING REQUIREMENT

The Foundation received a portion of its support from the State of Florida under grant contract No. ID099 with the Department of Children and Families Alcohol, Drug Abuse and Mental Health Program. The contract must be renegotiated annually. Although a maximum amount is established during the negotiation process, income is earned on a reimbursement basis; that is, income can be recognized only to the extent of eligible services incurred.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE D – MATCHING REQUIREMENT (CONTINUED)

Contract ID099 requires a thirty-three percent (33%) local match for certain drug abuse prevention and treatment services. During the fiscal year ended June 30, 2012, the reimbursable services under this contract were as follows:

<u>Reimbursable expenses</u>	
Total expenses	<u>\$ 5,748,861</u>
Total funds requiring match	653,784
Required match	<u>217,928</u>
	<u>871,712</u>
Excess match (liability)	<u>\$ 4,877,149</u>

NOTE E – COMMITMENTS

The Foundation leases an office under a thirty-eight (38) month operating lease agreement. The lease began December 1, 2011, (with the first two months' rent being abated), and will terminate January 31, 2015. The rent, which began February 1, 2012, is \$2,408 per month, and will increase by 3% per year each December 1. Rent obligations for the years subsequent to June 30, 2012 are as follows:

2013	\$ 29,404
2014	30,286
2015	17,884

Rent expense for the year ended June 30, 2012 was \$80,552.

NOTE F – EMPLOYEE BENEFITS

In fiscal year 1995, the Foundation established a defined contribution benefit plan for its eligible employees and their beneficiaries under Internal Revenue Code Section 403 (b). All employees are eligible to participate in the plan immediately after date of employment. After two years of service, the employer will contribute an amount equaling one half of the employee's contribution up to 1.0% of the employee's annual salary for the first eligible year and increasing to a maximum of a 11% contribution on the 20th eligible year. Contributions by the Foundation were \$79,954 for the year ended June 30, 2012.

NOTE G – RELATED PARTY TRANSACTIONS

The Foundation has members of its Board of Directors that are associated with companies that the Foundation uses for legal, insurance, and banking purposes. During the year ended June 30, 2012 the Foundation paid \$56 for legal services and \$21,660 for insurance premiums to companies associated with members of the Board of Directors, in arms-length transactions.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE H – MAJOR FUNDERS

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

	June 30,	
	2012	2011
Dept. of Children and Families	\$ 2,851,399	\$ 2,924,777
Sheriff's Dept. of Palm Beach County (Service Contract Only)	-	681,218
Palm Beach County Community Services	1,535,831	757,932

The Foundation receives approximately 78% of its funding from the above funders. A policy change at these agencies will have an adverse effect on operations, as evidenced by the termination of the Sheriff of Palm Beach County's Substance Abuse Awareness Program (SAAP) in December 2010.

NOTE I - STATE AND LOCAL SERVICE REVENUES

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

Drug Court	\$	81,776
Comprehensive AIDS Program		22,869
VA Medical Center		35,409
Portal Service Revenue		15,325
Total	\$	155,379

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE J – BED-DAY AVAILABILITY PAYMENTS

The Foundation received a portion of its support from the Federal Government and the State of Florida under grant contract number ID099 with the Department of Children and Families (DCF).

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

<u>Costs</u>		<u>Detox</u>
A. Unit Cost	\$	204.94
B. Available Bed Days		5,475
C. Units paid by others		1,877
D. Eligible units (B-C)		3,598
E. Amount paid by DCF	\$	505,948
F. Maximum value of C (AxD)	\$	737,374

Amount paid by others:

PBC Community Services	\$	384,635
Unit rate	\$	204.94
Unit equivalent		1,877

NOTE K – EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through November 6, 2012, the date which the financial statements were available to be issued.

SUPPLEMENTARY SCHEDULE

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA CFSA Number	Pass-Thru Grantor's Number	Expenditures (in thousands)
Federal Awards:			
U.S. Department of Health and Human Services			
Passed through State Government			
Florida Department of Children and Families:			
Alcohol, Drug Abuse and Mental Health Block Grant for Prevention and Treatment of Substance Abuse	93.959	ID099	\$ 1,509
Temporary Assistance for Needy Families	93.558	ID099	45
Block Grant for Social Services	93.667	ID099	5
Block Grant for Prevention and Treatment of Substance Abuse	93.959	IDZ03	73
Total Department of Children and Families			<u>1,632</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,632</u></u>
State Financial Assistance:			
Direct Projects			
Department of Children and Families			
Alcohol, Drug Abuse and Mental Health Block Grant for Prevention and Treatment of Substance Abuse Substance Abuse Treatment and Aftercare Services for Children	93.959	ID099	\$ 1,217
Substance Abuse Detoxification Services for Adults	93.558	ID099	3
Total Department of Children and Families			<u>1,220</u>
Total State Financial Assistance			<u><u>\$ 1,220</u></u>

(continued)

See Auditor's Report

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012
(continued)

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: SUBRECIPIENTS

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

See Auditor's Report

REQUIRED REPORTS

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Drug Abuse Foundation of Palm Beach County, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.
3. No instances of noncompliance material to the financial statements of Drug Abuse Foundation of Palm Beach County, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major Federal award programs and State projects are reported in the INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL.
5. The auditor's report on compliance for the major Federal and State award programs for Drug Abuse Foundation of Palm Beach County, Inc. expresses an unqualified opinion on all major Federal and State programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, are reported in this Schedule.
7. The programs tested as major programs include:

Federal Programs:

Alcohol, Drug Abuse, and Mental Health, CFDA Number 93.959.

State Programs:

Department of Children and Families Substance Abuse Services, CFDA Number 93.959.

(continued)

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012
(continued)

8. The threshold for distinguishing Types A and B programs was \$300,000 for Federal awards, and \$300,000 for State awards.

9. Drug Abuse Foundation of Palm Beach County, Inc. was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENTS AUDIT

None to note.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None to note.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

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

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

Viniar & Company

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

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

We have audited the financial statements of Drug Abuse Foundation of Palm Beach County, Inc., as of and for the year ended June 30, 2012, and have issued our report thereon dated November 6, 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

In planning and performing our audit, we considered Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

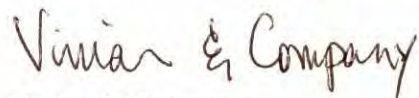
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination 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 Drug Abuse Foundation of Palm Beach County, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Auditor General State of Florida, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Viniar & Company
November 6, 2012

Viniar & Company

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

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

Compliance

We have audited Drug Abuse Foundation of Palm Beach County, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that are applicable to each of Drug Abuse Foundation of Palm Beach County, Inc.'s major federal programs and state projects for the year ended June 30, 2012. Drug Abuse Foundation of Palm Beach County, 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 Drug Abuse Foundation of Palm Beach County, Inc.'s management. Our responsibility is to express an opinion on Drug Abuse Foundation of Palm Beach County, Inc.'s compliance based on our audit.

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

In our opinion, Drug Abuse Foundation of Palm Beach County, Inc. complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended June 30, 2012.

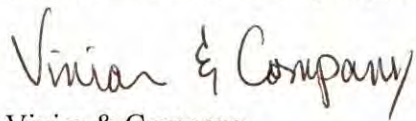
Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state project, on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected, by the entity's internal control.

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 management, the Board of Directors, others within the entity, 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.


Viniar & Company
November 6, 2012

Viniar & Company
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

MANAGEMENT LETTER

We have audited the financial statements of Drug Abuse Foundation of Palm Beach County, Inc., as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated November 6, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated November 6, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements or State project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, there were no matters required to be disclosed.

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

Viniar & Company

Viniar & Company
November 6, 2011