

**DRUG ABUSE FOUNDATION OF
PALM BEACH COUNTY, INC.
FINANCIAL STATEMENTS
JUNE 30, 2014**

Berkowitz, Huff & Vinlar
Certified Public Accountants
Stuart, Florida

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.
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Berkowitz, Huff & Viniar

CERTIFIED PUBLIC ACCOUNTANTS

MEMBER:
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants
National Association of Certified Valuation Analysts

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Drug Abuse Foundation of Palm Beach County, Inc. (the "Foundation") (a nonprofit Florida corporation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentations of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.650 of the State of Florida Rules of the Auditor General. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014, 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 and Chapter 10.650 of the State of Florida Rules of the Auditor General.

Report on Summarized Comparative Information

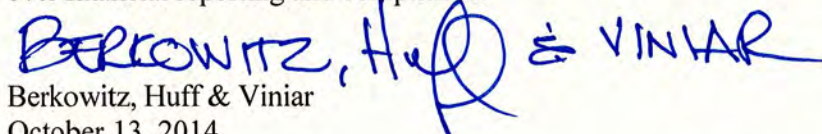
We previously audited Drug Abuse Foundation of Palm Beach County, Inc.'s June 30, 2013 financial statements, and they expressed an unmodified opinion on those financial statements in their report dated November 14, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, as required by 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 presented for purposes of additional analysis 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and Chapter 10.650 of the State of Florida Rules of the Auditor General, we have also issued our report dated October 13, 2014, on our consideration of Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Chapter 10.650 of the State of Florida Rules of the Auditor General in considering Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over financial reporting and compliance.


Berkowitz, Huff & Viniar

October 13, 2014

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Statement of Financial Position

as of June 30, 2014

(With Comparative Totals as of June 30, 2013)

	2014	2013
Assets:		
Current assets:		
Cash and cash equivalents	\$ 104,149	\$ 198,009
Grants and contracts receivable	1,114,827	949,611
Client fees receivable (net of allowance of \$451,474 and \$126,474, respectively)	970,745	866,733
Inventory	12,071	14,901
Prepaid expenses	87,935	65,630
Total current assets	<u>2,289,727</u>	<u>2,094,884</u>
Fixed assets:		
Property and equipment	6,242,340	6,130,904
Accumulated depreciation	<u>(4,000,786)</u>	<u>(3,736,830)</u>
Net fixed assets	<u>2,241,554</u>	<u>2,394,074</u>
Other assets:		
Deposits	<u>12,848</u>	<u>12,848</u>
Total other assets	<u>12,848</u>	<u>12,848</u>
Total assets	<u><u>\$ 4,544,129</u></u>	<u><u>\$ 4,501,806</u></u>
Liabilities and Net Assets:		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 295,283	\$ 326,127
Accrued payroll liabilities	186,075	175,268
Line of credit payable	248,954	190,000
Mortgage payable, current portion	98,567	94,350
Total current liabilities	<u>828,879</u>	<u>785,745</u>
Mortgage payable, long-term portion	<u>1,510,053</u>	<u>1,607,841</u>
Total liabilities	<u>2,338,932</u>	<u>2,393,586</u>
Net assets	<u>2,205,197</u>	<u>2,108,220</u>
Liabilities and net assets	<u><u>\$ 4,544,129</u></u>	<u><u>\$ 4,501,806</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, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Totals	
			2014	2013
Support and Revenues				
Public support				
Federal and State ADM grants				
Substance abuse	\$ 2,707,092	\$ -	\$ 2,707,091	\$2,773,689
Access To Recovery	707	-	708	14,435
Ounce of Prevention	95,228	-	95,228	-
Palm Beach County	1,812,787	-	1,812,787	1,342,563
Contributions and donations	87,602	-	87,602	209,922
Contributions - In-kind	66,000	-	66,000	66,000
Total public support	<u>4,769,416</u>	<u>-</u>	<u>4,769,416</u>	<u>4,406,609</u>
Other revenues				
Client fees	627,335	-	627,335	699,114
Food Stamps	33,101	-	33,101	44,039
State and local service revenue	205,455	-	205,455	155,670
Other	8,266	-	8,266	985
Investment income	4	-	4	6
Rental income	56,287	-	56,287	53,962
Total other revenues	<u>930,448</u>	<u>-</u>	<u>930,448</u>	<u>953,776</u>
Temporarily restricted net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>5,699,864</u>	<u>-</u>	<u>5,699,864</u>	<u>5,360,385</u>

(continued on next page)

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 (continued from previous page)**for the Year Ended June 30, 2014**(With Comparative Totals for the Year Ended June 30, 2013)*

	Unrestricted	Temporarily Restricted	Totals	
			2014	2013
Expenses				
Program services				
Assessment services	95,710	-	95,710	251,664
TASC services	377,543	-	377,543	280,841
Intervention services	158,389	-	158,389	126,320
Detox/Medical services	1,483,121	-	1,483,121	886,622
Outpatient services	313,684	-	313,684	280,452
Case management	69,467	-	69,467	92,139
Residential level II	1,743,881	-	1,743,881	2,064,781
Prevention	303,219	-	303,219	330,065
Outreach	247,720	-	247,720	227,847
Total program services	<u>4,850,726</u>	<u>-</u>	<u>4,850,726</u>	<u>4,540,731</u>
Support services				
Administration	694,638	-	694,638	646,586
Total functional expenses	<u>5,545,364</u>	<u>-</u>	<u>5,545,364</u>	<u>5,187,317</u>
Other				
Expenses of rental income	57,523	-	57,523	61,752
Total other expenses	<u>57,523</u>	<u>-</u>	<u>57,523</u>	<u>61,752</u>
Total expenses	<u>5,602,887</u>	<u>-</u>	<u>5,602,887</u>	<u>5,249,069</u>
Change in net assets	96,977	-	96,977	111,316
Net assets, beginning of year	2,108,220	-	2,108,220	1,996,904
Net assets, end of year	<u>\$ 2,205,197</u>	<u>\$ -</u>	<u>\$ 2,205,197</u>	<u>\$ 2,108,220</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, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

PROGRAM SERVICES

	Assessment	TASC Services	Intervention	Detoxification	Outpatient
Personnel expenses:					
Salaries	\$ 36,758	\$ 167,677	\$ 108,426	\$ 639,248	\$ 172,946
Payroll taxes	4,556	20,782	13,439	79,231	21,435
Employee benefits	2,832	12,917	8,353	49,245	13,323
Total personnel expenses	44,146	201,376	130,218	767,724	207,704
Operating expenses:					
Rent	-	53,428	-	-	13,764
Telephone	1,631	3,229	1,635	1,886	4,170
Office supplies	11	321	132	250	81
Insurance	6,073	6,371	984	34,249	7,282
Professional fees	509	-	-	86,984	-
Travel	-	987	349	160	755
Utilities	339	3,232	3,284	7,180	8,574
Repairs and maintenance	975	2,488	2,349	7,486	6,042
Data processing	40	364	481	826	901
Postage	21	1,656	636	58	936
Printing and reproduction	319	349	62	1,075	472
Subcontracted services	-	88,810	-	346,224	44,297
Auto and fuel	30	182	216	216	91
Food	-	-	-	30,838	-
Medical supplies	-	-	-	34,475	30
SEFBHN management fee	-	-	-	-	-
Interest	-	-	-	-	-
Bad debts	37,500	-	-	126,475	9,500
Other	1,772	700	380	4,672	422
Total direct expenses	93,366	363,493	140,726	1,450,778	305,021
Depreciation	2,344	14,050	17,663	32,343	8,663
Total expenses	95,710	377,543	158,389	1,483,121	313,684
Less: expenses of rental income	-	-	-	-	-
Net functional expenses	\$ 95,710	\$ 377,543	\$ 158,389	\$ 1,483,121	\$ 313,684
Allocation of administration	\$ 17,355	\$ 50,329	\$ 48,593	\$ 133,632	\$ 45,123

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DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Statement of Functional Expenses (continued from previous page)

for the Year Ended June 30, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

PROGRAM SERVICES					
	Case Management	Residential Level II	Medical	Prevention	Outreach
Personnel expenses:					
Salaries	\$ 51,792	\$ 707,759	\$ 18,145	\$ 169,010	\$ 132,544
Payroll taxes	6,419	87,722	2,249	20,948	16,428
Employee benefits	3,990	54,523	1,398	13,020	10,211
Total personnel expenses	62,201	850,004	21,792	202,978	159,183
Operating expenses:					
Rent	-	-	-	3,059	26,336
Telephone	204	10,311	-	3,189	4,634
Office supplies	15	2,455	300	521	72
Insurance	2,326	54,676	3,000	6,506	4,223
Professional fees	-	5,297	26,000	-	-
Travel	44	380	-	2,081	537
Utilities	469	57,290	500	36,433	2,932
Repairs and maintenance	561	45,612	400	12,096	2,302
Data processing	55	8,174	200	2,889	265
Postage	30	1,009	-	143	1,221
Printing and reproduction	209	1,437	-	262	330
Subcontracted services	-	267,405	-	-	38,000
Auto and fuel	787	598	-	167	661
Food	-	123,352	-	-	-
Medical supplies	-	14,852	2,800	8,827	178
SEFBHN management fee	-	-	-	-	-
Interest	-	-	-	-	-
Bad debts	-	151,525	-	-	-
Other	148	4,225	-	5,676	556
Total direct expenses	67,049	1,598,602	54,992	284,827	241,430
Depreciation	2,418	145,279	3,000	18,392	6,290
Total expenses	69,467	1,743,881	57,992	303,219	247,720
Less: expenses of rental income	-	-	-	-	-
Net functional expenses	\$ 69,467	\$ 1,743,881	\$ 57,992	\$ 303,219	\$ 247,720
Allocation of administration	\$ 10,413	\$ 264,239	\$ 6,942	\$ 69,419	\$ 48,593

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Statement of Functional Expenses (continued from previous page)

for the Year Ended June 30, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

	TOTAL PROGRAM SERVICES	SUPPORT SERVICES		TOTALS	
		Administration	Auditorium Rentals	2014	2013
Personnel expenses:					
Salaries	\$ 2,204,305	\$ 430,828	\$ 10,700	\$ 2,645,833	\$ 2,523,368
Payroll taxes	273,209	53,398	1,326	327,933	250,145
Employee benefits	169,812	33,189	824	203,825	214,017
Total personnel expenses	2,647,326	517,415	12,850	3,177,591	2,987,530
Operating expenses:					
Rent	96,587	-	-	96,587	95,411
Telephone	30,889	5,597	-	36,486	28,513
Office supplies	4,158	359	-	4,517	3,729
Insurance	125,690	20,926	22,325	168,941	203,067
Professional fees	118,790	30,876	-	149,666	170,122
Travel	5,293	430	3,688	9,411	523
Utilities	120,233	6,385	2,413	129,031	130,301
Repairs and maintenance	80,311	2,695	-	83,006	66,959
Data processing	14,195	9,438	-	23,633	22,823
Postage	5,710	1,423	-	7,133	15,533
Printing and reproduction	4,515	879	-	5,394	7,713
Subcontracted services	784,736	-	-	784,736	597,710
Auto and fuel	2,948	1,163	-	4,111	9,782
Food	154,190	-	-	154,190	157,567
Medical supplies	61,162	-	-	61,162	42,599
SEFBHN management fee	-	-	-	-	107,663
Interest	-	69,848	11,163	81,011	83,071
Bad debts	325,000	-	-	325,000	225,000
Other	18,551	18,775	-	37,326	42,761
Total direct expenses	4,600,284	686,209	52,439	5,338,932	4,998,377
Depreciation	250,442	8,429	5,084	263,955	250,692
Total expenses	4,850,726	694,638	57,523	5,602,887	5,249,069
Less: expenses of rental income	-	-	-	57,523	61,752
Net functional expenses	\$ 4,850,726	\$ 694,638	\$ 57,523	\$ 5,545,364	\$ 5,187,317
Allocation of administration	\$ 694,638	\$ (694,638)	\$ -		

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, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

	2014	2013
Cash flows provided by (used in) operating activities:		
Cash received from public support and other revenues	\$ 5,049,345	\$ 5,192,137
Cash paid to employees and suppliers	(4,914,910)	(4,947,401)
Net rental income	(1,236)	(7,790)
Investment income	4	6
Interest paid	(81,011)	(83,071)
Net cash provided by (used in) operating activities	52,192	153,881
Cash flows provided by (used in) investing activities:		
Purchase of property and equipment	(111,435)	(97,203)
Net cash provided by (used in) investing activities	(111,435)	(97,203)
Cash flows provided by (used in) financing activities:		
Borrowings from line of credit	58,954	70,000
Principal payments on mortgage	(93,571)	(89,548)
Net cash provided by (used in) financing activities	(34,617)	(19,548)
Net increase (decrease) in cash	(93,860)	37,130
Cash and cash equivalents, beginning of year	198,009	160,879
Cash and cash equivalents, end of year	\$ 104,149	\$ 198,009
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 96,977	\$ 111,316
Depreciation expense	263,955	250,692
Bad Debts	325,000	225,000
Change in:		
Receivables	(594,228)	(114,280)
Inventory	2,830	(3,115)
Prepaid expenses	(22,305)	(10,749)
Deposits	-	-
Accounts payable	(30,844)	(288,759)
Accrued payroll liabilities	10,807	(16,224)
Net cash provided by (used in) operating activities	\$ 52,192	\$ 153,881

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, 2014

NOTE A: NATURE OF THE 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. Founded in 1968, the Foundation’s central mission is to encourage and support the process of recovery from chemical addiction, to promote drug free living and mental wellbeing. The Foundation pursues its mission through the operation of thirteen programs/services which are organized into four key focus areas and service groups, including The Prevention Service Group, The Intervention Service Group, The Crisis Stabilization Service Group and The Treatment and Aftercare Service Group.

NOTE B: SUMMARY OF ACCOUNTING POLICIES

Promises to Give

Contributions are recognized when the donor makes the promise to give to the Organization that is, in substance, unconditional.

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.

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.

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, 2014, the Foundation had no uninsured deposits.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Notes to Financial Statements

June 30, 2014

NOTE B: SUMMARY OF ACCOUNTING POLICIES (continued)

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. At June 30, 2014 client fees receivable were \$1,422,219 and the allowance for doubtful accounts was \$351,474. The Foundation began accepting credit cards after June 30, 2014 to help reduce receivables and the related allowance for doubtful accounts.

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.

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.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Notes to Financial Statements

June 30, 2014

NOTE B: SUMMARY OF ACCOUNTING POLICIES (continued)

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, 2014, total inventory was \$12,071.

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, 2013 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, 2011, 2012 and 2013 are subject to examination by IRS, generally for three years after they were filed.

Functional Expenses

The grant contracts with the Department of Children and Families and Southeast Florida Behavioral Health Network have contractual reporting requirements under the State of Florida Administrative Code. The Foundation reports its functional expenses expanded by cost center to satisfy this requirement.

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.

Reclassifications

It is the Foundation's policy to reclassify, where appropriate, prior year financial statements to conform to the current year presentation.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Notes to Financial Statements

June 30, 2014

NOTE B: SUMMARY OF ACCOUNTING POLICIES (continued)

Summarized Financial Information for 2013

The financial information for the year ended June 30, 2013, 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, 2013, from which the summarized information was derived.

NOTE C: LAND, BUILDING, AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Land	\$ 325,000	\$ 325,000
Building	3,969,701	3,969,701
Building improvements	944,966	856,509
Furniture and equipment	933,480	910,501
Vehicles	69,193	69,193
Total	6,242,340	6,130,904
Less: accumulated depreciation	4,000,786	3,736,830
Net	<u>\$2,241,554</u>	<u>\$2,394,074</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$263,955 and \$250,692, respectively. These amounts represent a combination of amounts charged to both functional expenses and expenses of rental income.

NOTE D: LINE OF CREDIT PAYABLE

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. The original line expired on December 15, 2012 and was renewed until January 31, 2015 pursuant to the same terms and interest rate. At June 30, 2014, the interest rate on this note was 3.25% and the amount outstanding was \$248,954.

Interest expense on the Foundation's line of credit for the year ended June 30, 2014 was \$7,267.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Notes to Financial Statements

June 30, 2014

NOTE E: MORTGAGE PAYABLE

On February 1, 2007, the Foundation signed a mortgage note with Northern Trust. On April 10, 2012, the note was modified and provided payments of principal and interest are due monthly, amortized over 20 years at the interest rate of 4.38% in the amount of \$13,943 until maturity. The loan matures on February 1, 2017 where any remaining principal and interest is due. The Foundation anticipates renegotiating the loan terms prior to the maturity date. The loan is collateralized by real property, assignment of rents, and financing agreements thereon.

Long-term portion	\$ 1,510,053
Less: current portion	<u>98,567</u>
Total mortgage balance at June 30, 2014	<u>\$ 1,608,620</u>

The aggregate maturities of the mortgage payable subsequent to June 30, 2014 are as follows:

Years ending June 30:	
<u>2015</u>	\$ 98,567
2016	102,972
2017	<u>1,407,081</u>
	<u>\$ 1,608,620</u>

Interest expense on the Foundation's mortgage note for the year ended June 30, 2014 was \$73,746.

NOTE F: 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 payment, which began February 1, 2012, is \$2,408 per month, and will increase by 3% per year each December 1. Rent expense under this lease for the year ended June 30, 2014 was \$30,587. Minimum rent obligations for the years subsequent to June 30, 2014 are as follows:

2014	\$ 17,884
------	-----------

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Notes to Financial Statements

June 30, 2014

NOTE G: MATCHING REQUIREMENT

The Foundation's grant contract with the State of Florida Department of Children and Families (DCF) requires that they meet certain matching funds requirements of allowable expense as defined by the grant contract and funding agency. Contract ID099 requires a thirty-three percent (33%) local match for certain drug abuse prevention and treatment services.

The Foundation entered into an agreement PDA04 effective October 1, 2013 through September 30, 2015 with Southeast Florida Behavioral Health Network, Inc. (the managing entity for DCF) that calls for thirty-three percent (33%) local matching funds pursuant to s.394.763(3), Florida Statutes

During the fiscal year ended June 30, 2014, the reimbursable services under these contracts were as follows:

Total expenditures	\$ 5,602,887
Less: other State and Federal funds	(87,866)
Less: non-match SAMH funds	(2,712,092)
Less: unallowable costs per 65E-14, F.A.C.	<u>(352,371)</u>
Total allowable expenditures	2,450,558
Maximum earnings available	<u>1,837,919</u>
Amount of State funds requiring match	<u>2,712,091</u>
Excess match	<u>\$ 874,173</u>

NOTE H: SUBCONTRACTED SERVICES

The Foundation has a contract with another local substance abuse treatment facility (Comprehensive Alcoholism Rehabilitation Programs, Inc.) to purchase services in connection with the Palm Beach County Department of Community Services grant. Total services purchased are classified as subcontracted services on the Statement of Functional Expenses. Total services purchased for the year ended June 30, 2014 was \$784,736.

NOTE I: 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 the employee's contribution up to 1.0% of the employee's annual salary for the first of employer contribution eligibility and increasing to a maximum of an 11% contribution on the 20th eligible year. Contributions by the Foundation were \$62,659 for the year ended June 30, 2014.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Notes to Financial Statements

June 30, 2014

NOTE J: 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, 2014 the Foundation paid \$248 for legal services to companies associated with members of the Board of Directors, in arms-length transactions.

NOTE K: MAJOR FUNDERS

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

	June 30,	
	<u>2014</u>	<u>2013</u>
Dept. of Children and Families	\$ 2,707,092	\$ 2,773,689
Palm Beach County Community Services	1,812,787	1,342,563

The Foundation receives approximately 79% of its funding from the above funders. A policy change at these agencies could have an adverse effect on operations.

NOTE L: 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	\$ 86,421
Comprehensive AIDS Program	15,891
Ounce of Prevention	95,228
VA Medical Center	<u>49,308</u>
Total	<u>\$ 246,848</u>

NOTE M: 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 DCF and contract number PDA04 with Southeast Florida Behavioral Health Network (SEFBHN).

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

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Notes to Financial Statements

June 30, 2014

NOTE M: BED-DAY AVAILABILITY PAYMENTS (continued)

<u>Cost Center</u>	<u>Detoxification</u>
A Unit cost	\$ 194.49
B Available bed days	5,475
C Units paid by other parties	1,969
D Eligible units (B - C)	3,506
E Amount paid by DCF/SEFBHN	\$ 566,220
F Maximum value of C (A x D)	\$ 732,156

<u>Units Paid by Others</u>	<u>Received</u>
PBC Community Services	\$ 403,465
Unit rate	204.94
Unit equivalent	1,969

NOTE N: FEDERAL FINANCIAL ASSISTANCE

The Foundation has been awarded a grant from the U.S. Department of Health and Human Services, passed through the Florida Department of Children and Families (DCF) to provide services for prevention and treatment of substance abuse. 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.

In September 2012, DCF contracted with a private entity, Southeast Florida Behavioral Health Network, Inc. (SEFBHN), to process the distribution of the grant funds. DCF assigned its grant contracts to SEFBHN. In return for processing the grant funding, the Foundation was required to pay 5.1% of the contract funds to SEFBHN to cover its administrative costs. At June 30, 2013, the Foundation paid SEFBHN approximately 108,000 in administrative fees and recorded the payments as a separate line item on its Statement of Functional Expenses. Beginning July 1, 2013 the contracted amount of grant revenues distributed by SEFBHN, as a vendor of DCF, to the Foundation was reduced by 5.1% to allow for this management fee. In addition, the bed day rate for detoxification services was further reduced to all for additional payment to SEFBHN. The total amount of grant revenues recognized by the Foundation is net of these fees.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Notes to Financial Statements

June 30, 2014

NOTE O: EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through October 13, 2014, the date which the financial statements were available to be issued.

On September 29, 2014 a mortgage was entered into with TD Bank to refinance the Foundation's existing line of credit and mortgage. The line of credit would remain at \$250,000 and be subject to a 2.5% increase over the monthly LIBOR rate for a term of 12 months. The mortgage amount was \$2,100,000 with a net cash payment to the Foundation in the amount of \$194,329 to allow the Foundation to access some of its real estate equity for support of its operations. The terms call for a ten year term at a rate of 5.1%. Total loans and closing costs for the line of credit and mortgage were \$32,741. These costs will be amortized over the life of the loan.

The Foundation leased telephone equipment under a capital lease agreement with Graybar Financial services on July 18, 2014. The lease calls for sixty (60) equal monthly payments of \$330 plus taxes with two months due up front and one dollar (\$1) buyout at the end of the lease term.

SUPPLEMENTARY SCHEDULES

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

*Schedule of Expenditures of Federal Awards and State Financial Assistance
for the Year Ended June 30, 2014*

Federal Grantor/Pass-through Grantor/Program	Contract Number	CFDA Number	CSFA Number	Amount
Federal Awards:				
U.S. Department of Health and Human Services				
Pass-through:				
Florida Department of Children and Families				
Prevention and Treatment of Substance Abuse	ID099	93.959	-	\$ 345,926
Temporary Assistance for Needy Families	ID099	93.558	-	10,770
Prevention and Treatment of Substance Abuse	PDA04	93.959	-	1,070,282
Temporary Assistance for Needy Families	PDA04	93.558	-	63,945
Total Florida Department of Children and Families				<u>1,490,923</u>
Total Expenditures of Federal Awards				<u>\$ 1,490,923</u>
State Financial Assistance:				
Florida Department of Children and Families				
Prevention and Treatment of Substance Abuse	ID099	93.959	60.034	\$ 281,100
Temporary Assistance for Needy Families	ID099	93.558	60.034	847
Prevention and Treatment of Substance Abuse	PDA04	93.959	60.034	919,821
Temporary Assistance for Needy Families	PDA04	93.558	60.034	14,400
Florida Department of Health:				
Pass through:				
The Ounce of Prevention Fund of Florida	13-14-167	-	64.035	95,228
Total Expenditures of State Financial Assistance				<u>\$ 1,311,396</u>

NOTE: A - BASIS OF PRESENTATION

The above Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal activity of the Organization under programs of the federal government for the year ended June 30, 2014. 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 Florida Administrative Code, Chapter 69I-5.003. Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE: B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the above 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 allowed or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

NOTE: C - SUBRECIPIENTS

Of the expenditures presented in the schedule, the Organization provided no awards to subrecipients.

See auditor's report.

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Schedule of Support, Revenues, & Gains by Cost Center

Southeast Florida Behavioral Health Network

for the Year Ended June 30, 2014

	SAMH COVERED SERVICES			
	STATE SAMH-FUNDED COST CENTERS			
	COMBINED PROGRAMS			
	Detox Services	Outpatient	Outreach	Total for Combined Programs
State SAMH Funding:				
From District Contract Funding	\$ 497,583	\$ 391,167	\$ 305,435	\$ 1,194,185
Prevention Partnership Grant	-	-	-	-
TANF	-	14,508	-	14,508
Total State SAMH Funding	497,583	405,675	305,435	1,208,693
Other governmental funding:				
Other State agency funding	-	-	-	-
Medicaid	-	-	-	-
Local government	890,966	107,514	-	998,480
Federal grants and contracts	820	1,725	-	2,545
In-kind (local gov't only)	-	-	-	-
Total other governmental funding	891,786	109,239	-	1,001,025
All other revenues:				
1st and 2nd party payments	107,070	157,047	-	264,117
3rd party payments	-	(9,819)	-	(9,819)
Medicare	-	-	-	-
Contributions and donations	-	-	-	-
Miscellaneous	-	17,875	-	17,875
In-kind	-	-	17,160	17,160
Total all other revenues	107,070	165,103	17,160	289,333
Total Revenue, support and gains	\$ 1,496,439	\$ 680,017	\$ 322,595	\$ 2,499,051

(continued on next page)

See auditor's report

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Schedule of Support, Revenues, & Gains by Cost Center

Southeast Florida Behavioral Health Network

for the Year Ended June 30, 2014

	SAMH COVERED SERVICES			
	STATE SAMH-FUNDED COST CENTERS			
	CHLD PROGRAM			
	TASC	Medical Services Child	Prevention Child	Total Child Program
State SAMH Funding:				
From District Contract Funding	\$ 212,419	\$ 2,812	\$ 42,347	\$ 257,578
Prevention Partnership Grant	-	-	-	-
TANF	-	-	-	-
Total State SAMH Funding	212,419	2,812	42,347	257,578
Other governmental funding:				
Other State agency funding	-	-	-	-
Medicaid	-	-	-	-
Local government	-	-	-	-
Federal grants and contracts	-	-	-	-
In-kind (local gov't only)	-	-	-	-
Total other governmental funding	-	-	-	-
All other revenues:				
1st and 2nd party payments	-	-	-	-
3rd party payments	-	-	-	-
Medicare	-	-	-	-
Contributions and donations	-	-	-	-
Miscellaneous	-	-	-	-
In-kind	48,840	-	-	48,840
Total all other revenues	48,840	-	-	48,840
Total Revenue, support and gains	\$ 261,259	\$ 2,812	\$ 42,347	\$ 306,418

(continued on next page)

See auditor's report

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Schedule of Support, Revenues, & Gains by Cost Center

Southeast Florida Behavioral Health Network

for the Year Ended June 30, 2014

**SAMH COVERED SERVICES
STATE SAMH-FUNDED COST CENTERS**

ADULT PROGRAM

	Medical Services Adult	Case Mgmt.	Intervention Adult	Residential Level II	Prevention Adult	Incidental Expense	Total Adult Program
State SAMH Funding:							
From District Contract Funding	\$ 43,918	\$ 27,974	\$ 156,531	\$ 632,567	\$ 334,661	\$ 4,729	\$ 1,200,380
Prevention Partnership Grant	-	-	-	-	-	-	-
TANF	-	-	-	40,440	-	-	40,440
Total State SAMH Funding	43,918	27,974	156,531	673,007	334,661	4,729	1,240,820
Other governmental funding:							
Other State agency funding	-	-	-	708	-	-	708
Medicaid	-	-	-	-	-	-	-
Local government	-	-	-	900,728	40,000	-	940,728
Federal grants and contracts	-	-	-	84,614	-	-	84,614
In-kind (local gov't only)	-	-	-	-	-	-	-
Total other governmental funding	-	-	-	986,050	40,000	-	1,026,050
All other revenues:							
1st and 2nd party payments	-	-	-	363,218	-	-	363,218
3rd party payments	-	-	-	28,041	95,228	-	123,269
Medicare	-	-	-	-	-	-	-
Contributions and donations	-	-	-	-	-	-	-
Miscellaneous	-	-	-	21,917	25,458	-	47,375
In-kind	-	-	-	-	-	-	-
Total all other revenues	-	-	-	413,176	120,686	-	533,862
Total Revenue, support and gains	\$ 43,918	\$ 27,974	\$ 156,531	\$ 2,072,233	\$ 495,347	\$ 4,729	\$ 2,800,732

(continued on next page)

See auditor's report

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Schedule of Support, Revenues, & Gains by Cost Center

Southeast Florida Behavioral Health Network

for the Year Ended June 30, 2014

	Total State SAMH-Funded Cost Centers	Total Non- State Funded SAMH Cost Centers	Total State Designated SAMH Cost Centers	TOTAL SUPPORT, REVENUES AND GAINS
State SAMH Funding:				
From District Contract Funding	\$ 2,652,143	\$ -	\$ 2,652,143	\$ 2,652,143
Prevention Partnership Grant	-	-	-	-
TANF	54,948	-	54,948	54,948
Total State SAMH Funding	2,707,091	-	2,707,091	2,707,091
Other governmental funding:				
Other State agency funding	708	-	708	708
Medicaid	-	-	-	-
Local government	1,939,208	-	1,939,208	1,939,208
Federal grants and contracts	87,159	-	87,159	87,159
In-kind (local gov't only)	-	-	-	-
Total other governmental funding	2,027,075	-	2,027,075	2,027,075
All other revenues:				
1st and 2nd party payments	627,335	-	627,335	627,335
3rd party payments	113,450	-	113,450	113,450
Medicare	-	-	-	-
Contributions and donations	-	29,106	29,106	29,106
Miscellaneous	65,250	64,557	129,807	129,807
In-kind	66,000	-	66,000	66,000
Total all other revenues	872,035	93,663	965,698	965,698
Total Revenue, support and gains	\$ 5,606,201	\$ 93,663	\$ 5,699,864	\$ 5,699,864

See auditor's report

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.*Schedule of Functional Expenses by Cost Center**Southeast Florida Behavioral Health Network**for the Year Ended June 30, 2014*

	SAMH COVERED SERVICES			
	STATE SAMH-FUNDED COST CENTERS			
	COMBINED PROGRAMS			
	Detox Services	Outpatient	Outreach	Total for Combined Programs
Personnel expenses:				
Salaries	\$ 475,373	\$ 254,704	\$ 122,544	\$ 852,621
Fringe benefits	95,641	50,143	25,386	171,170
Total personnel expenses	571,014	304,847	147,930	1,023,791
Other expenses:				
Building occupancy	48,645	85,116	42,494	176,255
Professional services	84,172	509	-	84,681
Travel	160	755	537	1,452
Equipment	-	-	-	-
Food services	24,088	-	-	24,088
Medical and pharmacy	30,548	30	178	30,756
Subcontracted services	346,224	44,297	38,000	428,521
Insurance	34,249	13,355	4,223	51,827
Interest	-	-	-	-
Operating supplies and expenses	2,209	2,781	309	5,299
Donated items	-	-	-	-
Other	131,363	34,315	1,217	166,895
Total other expenses	701,658	181,158	86,958	969,774
Total personnel and other expenses	1,272,672	486,005	234,888	1,993,565
Distributed costs:				-
Administration	138,839	138,839	104,129	381,807
Total distributed costs	138,839	138,839	104,129	381,807
Less: unallowable costs:	101,475	27,000	-	128,475
Total allowable operating expenses	\$ 1,310,036	\$ 597,844	\$ 339,017	\$ 2,246,897

*(continued on next page)**See auditor's report*

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Schedule of Functional Expenses by Cost Center

Southeast Florida Behavioral Health Network

for the Year Ended June 30, 2014

SAMH COVERED SERVICES				
STATE SAMH-FUNDED COST CENTERS				
CHLD PROGRAM				
	TASC	Medical Services Child	Prevention Child	Total Child Program
Personnel expenses:				
Salaries	\$ 167,677	\$ -	\$ -	\$ 167,677
Fringe benefits	33,699	-	-	33,699
Total personnel expenses	201,376	-	-	201,376
Other expenses:				
Building occupancy	2,876	-	38,590	41,466
Professional services	-	2,812	-	2,812
Travel	-	-	987	987
Equipment	-	-	-	-
Food services	-	-	-	-
Medical and pharmacy	-	-	-	-
Subcontracted services	88,810	-	-	88,810
Insurance	6,371	-	-	6,371
Interest	-	-	-	-
Operating supplies and expenses	2,690	-	1,888	4,578
Donated items	-	-	-	-
Other	-	-	882	882
Total other expenses	100,747	2,812	42,347	145,906
Total personnel and other expenses	302,123	2,812	42,347	347,282
Distributed costs:				
Administration	48,594	-	-	48,594
Total distributed costs	48,594	-	-	48,594
Less: unallowable costs:	-	-	-	-
Total allowable operating expenses	\$ 350,717	\$ 2,812	\$ 42,347	\$ 395,876

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See auditor's report

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.*Schedule of Functional Expenses by Cost Center**Southeast Florida Behavioral Health Network**for the Year Ended June 30, 2014*

**SAMH COVERED SERVICES
STATE SAMH-FUNDED COST CENTERS**

ADULT PROGRAM

	Medical Services Adult	Case Management	Intervention Adult	Residential Level II	Prevention Adult	Incidental Expense	Total Adult Program
Personnel expenses:							
Salaries	\$ 20,000	\$ 16,792	\$ 99,647	\$ 869,779	\$ 177,789	\$ -	\$ 1,184,007
Fringe benefits	3,918	3,665	21,792	174,807	33,968	-	238,150
Total personnel expenses	23,918	20,457	121,439	1,044,586	211,757	-	1,422,157
Other expenses:							
Building occupancy	3,250	-	24,931	259,392	73,169	-	360,742
Professional services	10,000	-	-	21,297	-	-	31,297
Travel	-	44	349	380	2,081	-	2,854
Equipment	-	-	-	-	-	-	-
Food services	6,750	-	-	123,352	-	-	130,102
Medical and pharmacy	-	-	-	16,852	8,827	4,727	30,406
Subcontracted services	-	-	-	267,405	-	-	267,405
Insurance	-	2,325	984	57,676	6,506	-	67,491
Interest	-	-	-	-	-	-	-
Operating supplies and expenses	-	-	1,311	13,575	3,815	-	18,701
Donated items	-	-	-	-	7,374	-	7,374
Other	-	-	-	171,793	-	-	171,793
Total other expenses	20,000	2,369	27,575	931,722	101,772	4,727	1,088,165
Total personnel and other expenses	43,918	22,826	149,014	1,976,308	313,529	4,727	2,510,322
Distributed costs:							
Administration	-	6,942	6,942	111,071	138,839	-	263,794
Total distributed costs	-	6,942	6,942	111,071	138,839	-	263,794
Less: unallowable costs:							
	-	-	-	96,525	-	-	96,525
Total allowable operating expenses	\$ 43,918	\$ 29,768	\$ 155,956	\$ 1,990,854	\$ 452,368	\$ 4,727	\$ 2,677,591

*(continued on next page)**See auditor's report*

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Schedule of Functional Expenses by Cost Center

Southeast Florida Behavioral Health Network

for the Year Ended June 30, 2014

	Total State SAMH- Funded Cost Centers	Total Non- State Funded SAMH Cost Centers	Total State Designated SAMH Cost Centers	Other Support Costs	Admin.	TOTAL EXPENSES
Personnel expenses:						
Salaries	\$ 2,204,305	\$ 10,700	\$ 2,215,005	\$ -	\$ 430,828	\$ 2,645,833
Fringe benefits	443,019	2,150	445,169	-	86,587	531,756
Total personnel expenses	2,647,324	12,850	2,660,174	-	517,415	3,177,589
Other expenses:						
Building occupancy	578,463	11,185	589,648	-	23,106	612,754
Professional services	118,790	-	118,790	-	30,876	149,666
Travel	5,293	-	5,293	-	430	5,723
Equipment	-	-	-	-	-	-
Food services	154,190	-	154,190	-	-	154,190
Medical and pharmacy	61,162	-	61,162	-	-	61,162
Subcontracted services	784,736	-	784,736	-	-	784,736
Insurance	125,689	22,325	148,014	-	20,926	168,940
Interest	-	11,163	11,163	-	69,849	81,012
Operating supplies and expenses	28,578	-	28,578	-	12,097	40,675
Donated items	7,374	-	7,374	-	-	7,374
Other	339,570	-	339,570	-	19,496	359,066
Total other expenses	2,203,845	44,673	2,248,518	-	176,780	2,425,298
Total personnel and other expenses	4,851,169	57,523	4,908,692	-	694,195	5,602,887
Distributed costs:						
Administration	694,195	-	694,195	-	(694,195)	-
Total distributed costs	694,195	-	694,195	-	(694,195)	-
Less: unallowable costs:	225,000	57,523	282,523	-	69,848	352,371
Total allowable operating expenses	\$ 5,320,364	\$ -	\$ 5,320,364	\$ -	\$ (69,848)	\$ 5,250,516

See auditor's report

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Schedule of Related Party Transaction Adjustments

Southeast Florida Behavioral Health Network

for the Year Ended June 30, 2014

	SAMH Covered Services											
	Detox	Outpatient	Outreach	Medical	Intervention	Case Mgmt.	Residential	Prevention	Incidental	TASC	Other	Total
Revenues from Grantee:												
DCF/SEFBHN funding	\$ 497,583	\$ 405,675	\$ 305,435	\$ 46,730	\$ 156,531	\$ 27,974	\$ 673,009	\$ 377,008	\$ 4,727	\$ 212,419	\$ -	\$ 2,707,091
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue from Grantee	<u>497,583</u>	<u>405,675</u>	<u>305,435</u>	<u>46,730</u>	<u>156,531</u>	<u>27,974</u>	<u>673,009</u>	<u>377,008</u>	<u>4,727</u>	<u>212,419</u>	<u>-</u>	<u>2,707,091</u>
Expenses Associated with Grantee												
Transactions:												
Legal services	-	-	-	-	-	-	-	-	-	-	248	248
Total Associated Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248</u>	<u>248</u>
Amount allowable (necessary operating expenses in arms-length transaction)	-	-	-	-	-	-	-	-	-	-	(248)	(248)
Related Party Adjustment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See auditor's report

REQUIRED REPORTS

DRUG ABUSE FOUNDATION OF PALM BEACH COUNTY, INC.

Schedule of Findings and Questioned Costs–Federal Awards Programs and State Financial Assistance Projects For the Year Ended June 30, 2014

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 are reported in the INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL, STATE OF FLORIDA.
5. The auditor’s report on compliance for the major federal award programs for Drug Abuse Foundation of Palm Beach County, Inc. expresses an unqualified opinion on all major federal programs and state projects.
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 Substance Abuse Services, CFDA #93.959 and CSFA #60.034.
8. The threshold for distinguishing Types A and B programs was \$300,000.
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

None to note since there were no prior audit findings.

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

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

Berkowitz, Huff & Viniar

CERTIFIED PUBLIC ACCOUNTANTS

MEMBER:
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants
National Association of Certified Valuation Analysts

**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 AND CHAPTER 10.650, RULES OF
THE STATE OF FLORIDA AUDITOR GENERAL***

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

We have audited, in accordance with the 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 and Chapter 10.650, State of Florida Rules of the Auditor General, the financial statements of Drug Abuse Foundation of Palm Beach County, Inc., which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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* and Chapter 10.650, State of Florida Rules of the Auditor General.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and Chapter 10.650, State of Florida Rules of the Auditor General in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BERKOWITZ, HUFF & VINIAR

Berkowitz, Huff & Viniar
October 13, 2014

Berkowitz, Huff & Viniar

CERTIFIED PUBLIC ACCOUNTANTS

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Florida Institute of Certified Public Accountants
National Association of Certified Valuation Analysts

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL, STATE OF FLORIDA

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

Report on Compliance for Each Major Federal Program

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 *State of Florida Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of Drug Abuse Foundation of Palm Beach County, Inc.'s major federal programs and state projects for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Drug Abuse Foundation of Palm Beach County, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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, State of Florida 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Drug Abuse Foundation of Palm Beach County, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Drug Abuse Foundation of Palm Beach County, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, State of Florida Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Drug Abuse Foundation of Palm Beach County, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program 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 will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.650, State of Florida Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Berkowitz, Huff & Viniar
October 13, 2014

Berkowitz, Huff & Viniar

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Florida Institute of Certified Public Accountants
National Association of Certified Valuation Analysts

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

MANAGEMENT LETTER

We planned and performed our audit of the financial statements of Drug Abuse Foundation of Palm Beach County, Inc. as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Profit Organizations*; and the State of Florida Rules of the Auditor General Chapter 10.650. 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 October 13, 2014, should be considered in conjunction with this management letter

The State of Florida Rules of the Auditor General Chapter 10.650 requires disclosure in a management letter violations of the provisions of contracts or grants agreements, or abuse, that have an effect on the financial statements or State Project amounts that is less than material but more than inconsequential. 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. No such matters were identified during our audit. However, matters may exist that have not been identified.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. This information is intended solely for the use of management of Drug Abuse Foundation of Palm Beach County, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties



Berkowitz, Huff & Viniar
October 14, 2014