

**BATON ROUGE AREA ALCOHOL
AND DRUG CENTER, INC.**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **MAR 20 2013**

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DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Baton Rouge Area Alcohol and Drug Center, Inc
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of Baton Rouge Area Alcohol and Drug Center, Inc (a non-profit organization), as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 Baton Rouge Area Alcohol and Drug Center, Inc as of June 30, 2012 and 2011, and the changes in net assets and cash flows for the years 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 our report dated February 22, 2013, on our consideration of Baton Rouge Area Alcohol and Drug Center, Inc's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards 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 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.

Daigrepoint & Brian APAC

Baton Rouge, Louisiana
February 22, 2013

BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

| | <u>2012</u> | <u>2011</u> |
|--|-------------------|-------------------|
| <u>Assets</u> | | |
| Current Assets | | |
| Cash | \$ 251,669 | \$ 96,931 |
| Accounts receivable | <u>188,995</u> | <u>107,311</u> |
| Total Current Assets | 440,664 | 204,242 |
| Property, plant and equipment (net) | <u>477,749</u> | <u>475,828</u> |
| Total Assets | <u>\$ 918,413</u> | <u>\$ 680,070</u> |
| <u>Liabilities</u> | | |
| Current liabilities | | |
| Accounts payable and other current liabilities | \$ 13,926 | \$ 13,799 |
| Payroll taxes payable | 2,013 | 1,594 |
| Accrued liabilities | 18,672 | 30,948 |
| Notes payable – short term | - | 7,000 |
| Current portion of long term debt | 3,132 | 12,691 |
| Refundable advance | <u>160,000</u> | <u>200,000</u> |
| Total current liabilities | 197,743 | 266,032 |
| Long term debt, net of current portion | <u>9,240</u> | <u>28,262</u> |
| Total liabilities | 206,983 | 294,294 |
| Net Assets | | |
| Unrestricted net assets | 691,430 | 381,251 |
| Temporarily restricted net assets | <u>20,000</u> | <u>4,525</u> |
| Total Net Assets | 711,430 | 385,776 |
| Total Liabilities and Net Assets | <u>\$ 918,413</u> | <u>\$ 680,070</u> |

See accompanying notes and auditors' report

**BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| <u>Revenues</u> | | | |
| Grants and contracts | | | |
| Capital Area Human Services District | \$ 692,670 | \$ - | \$ 692,670 |
| City of Baton Rouge/Parish of East Baton Rouge | 375,002 | - | 375,002 |
| United Way | 101,000 | - | 101,000 |
| Access to Recovery | 43,586 | - | 43,586 |
| Housing Opportunity for Persons with Aids | 246,572 | - | 246,572 |
| Ryan White Program | 95,906 | - | 95,906 |
| Other grants | 100,500 | 20,000 | 120,500 |
| Donations and contributions | 45,776 | - | 45,776 |
| Self pay revenue | 22,370 | - | 22,370 |
| Chent fund revenue | 2,564 | - | 2,564 |
| Loss on disposal of asset | (2,907) | - | (2,907) |
| Net assets released from restrictions | <u>4,525</u> | <u>(4,525)</u> | <u>-</u> |
| Total Revenues | <u>\$ 1,727,564</u> | <u>\$ 15,475</u> | <u>\$ 1,743,039</u> |
| <u>Expenses</u> | | | |
| Program service | 1,100,684 | - | 1,100,684 |
| Management and general | <u>316,701</u> | <u>-</u> | <u>316,701</u> |
| Total expenses | <u>1,417,385</u> | <u>-</u> | <u>1,417,385</u> |
| Change in net assets | 310,179 | 15,475 | 325,654 |
| Net Assets – beginning of year | <u>381,251</u> | <u>4,525</u> | <u>385,776</u> |
| Net Assets – end of year | <u>\$ 691,430</u> | <u>\$ 20,000</u> | <u>\$ 711,430</u> |

See accompanying notes and auditors' report.

**BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| <u>Revenues</u> | | | |
| Grants and contracts | | | |
| Capital Area Human Services District | \$ 289,180 | \$ - | \$ 289,180 |
| City of Baton Rouge/Parish of East Baton Rouge | 376,367 | - | 376,367 |
| United Way | 79,275 | - | 79,275 |
| Access to Recovery | 66,180 | - | 66,180 |
| Housing Opportunity for Persons with Aids | 245,671 | - | 245,671 |
| Ryan White Program | 70,695 | - | 70,695 |
| Other grants | 71,000 | - | 71,000 |
| Donations and contributions | 35,963 | - | 35,963 |
| Self pay revenue | 48,155 | - | 48,155 |
| Client fund revenue | 4,100 | - | 4,100 |
| Net assets released from restrictions | <u>16,315</u> | <u>(16,315)</u> | <u>-</u> |
| Total Revenues | <u>\$ 1,302,901</u> | <u>\$ (16,315)</u> | <u>\$ 1,286,586</u> |
| <u>Expenses</u> | | | |
| Program service | 935,343 | - | 935,343 |
| Management and general | <u>285,742</u> | <u>-</u> | <u>285,742</u> |
| Total expenses | <u>1,221,085</u> | <u>-</u> | <u>1,221,085</u> |
| Change in net assets | 81,816 | (16,315) | 65,501 |
| Net Assets – beginning of year | <u>299,435</u> | <u>20,840</u> | <u>320,275</u> |
| Net Assets – end of year | <u>\$ 381,251</u> | <u>\$ 4,525</u> | <u>\$ 385,776</u> |

See accompanying notes and auditors' report

**BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012**

| | <u>Program Services</u> | <u>Management and General</u> | <u>Total</u> |
|---------------------------------|-----------------------------|-----------------------------------|---------------------|
| Accounting | \$ - | \$ 14,123 | \$ 14,123 |
| Advertising and dues | 529 | 195 | 724 |
| Auto maintenance | 4,967 | 1,837 | 6,804 |
| Client fund expense | 113 | - | 113 |
| Communications | 3,543 | 1,310 | 4,853 |
| Depreciation | 8,849 | 3,273 | 12,122 |
| Food services | 118,763 | - | 118,763 |
| Insurance – general | 17,636 | 6,523 | 24,159 |
| Insurance – accident | 43,485 | 16,084 | 59,569 |
| Insurance – workers comp | 15,454 | 5,716 | 21,170 |
| Interest | 1,348 | 499 | 1,847 |
| Laundry | 14,519 | - | 14,519 |
| License fees | 869 | 321 | 1,190 |
| Maintenance and repairs | 5,248 | 1,941 | 7,189 |
| Miscellaneous | 1,715 | 635 | 2,350 |
| Payroll taxes | 47,254 | 17,478 | 64,732 |
| Printing and office expense | 12,206 | 4,514 | 16,720 |
| Professional expense | 103,445 | - | 103,445 |
| Rent and occupancy | 19,667 | 7,274 | 26,941 |
| Salaries and wages | 624,915 | 231,133 | 856,048 |
| Supplies – building and general | 10,232 | 3,784 | 14,016 |
| Supplies – food and medical | 45,763 | - | 45,763 |
| Travel | 164 | 61 | 225 |
| | <u>\$ 1,100,684</u> | <u>\$ 316,701</u> | <u>\$ 1,417,385</u> |

See accompanying notes and auditors' report

BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

| | <u>Program Services</u> | <u>Management and General</u> | <u>Total</u> |
|---------------------------------|-----------------------------|-----------------------------------|---------------------|
| Accounting | \$ - | \$ 5,000 | \$ 5,000 |
| Advertising and dues | 5,052 | 1,869 | 6,921 |
| Auto maintenance | 3,959 | 1,464 | 5,423 |
| Client fund expense | 423 | - | 423 |
| Communications | 4,860 | 1,798 | 6,658 |
| Depreciation | 6,096 | 2,255 | 8,351 |
| Food services | 105,606 | - | 105,606 |
| Insurance – general | 13,003 | 4,809 | 17,812 |
| Insurance – accident | 43,377 | 16,043 | 59,420 |
| Insurance – workers comp | 9,538 | 3,528 | 13,066 |
| Interest | 2,004 | 741 | 2,745 |
| Laundry | 17,173 | - | 17,173 |
| License fees | 1,367 | 505 | 1,872 |
| Maintenance and repairs | 9,238 | 3,417 | 12,655 |
| Miscellaneous | 1,804 | 667 | 2,471 |
| Payroll taxes | 43,993 | 16,272 | 60,265 |
| Printing and office expense | 9,959 | 3,684 | 13,643 |
| Professional expense | 33,869 | - | 33,869 |
| Rent and occupancy | 56,230 | 20,798 | 77,028 |
| Salaries and wages | 537,701 | 198,876 | 736,577 |
| Supplies – building and general | 10,383 | 3,838 | 14,221 |
| Supplies – food and medical | 19,228 | - | 19,228 |
| Travel | 480 | 178 | 658 |
| | <u>\$ 935,343</u> | <u>\$ 285,742</u> | <u>\$ 1,221,085</u> |

See accompanying notes and auditors' report.

BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

| | <u>2012</u> | <u>2011</u> |
|--|-------------------|------------------|
| <u>Cash Flows From Operating Activities</u> | | |
| Change in net assets | \$ 325,654 | \$ 65,501 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation | 12,122 | 8,351 |
| Loss on disposal of property | 2,907 | - |
| Increase in accounts receivable | (81,684) | (18,140) |
| Increase (decrease) in accounts payable and other current liabilities | 127 | (11,351) |
| Increase (decrease) in accrued liabilities | <u>(51,857)</u> | <u>6,275</u> |
| Net cash provided by operating activities | 207,269 | 50,636 |
| <u>Cash Flows From Investing Activities</u> | | |
| Cash payments from purchase of property | (25,000) | (37,631) |
| Cash proceeds from the sale of property | <u>8,050</u> | <u>-</u> |
| Net cash used in investing activities | (16,950) | (37,631) |
| <u>Cash Flows From Financing Activities</u> | | |
| Proceeds from the issuance of long term debt | - | 34,449 |
| Principal payments on long term debt | (19,022) | (6,978) |
| Principal payments on short term debt | <u>(16,559)</u> | <u>(15,770)</u> |
| Net cash provided (used in) by financing activities | (35,581) | 11,701 |
| Increase in Cash and Cash Equivalents | 154,738 | 24,706 |
| Cash and cash equivalents, beginning of year | <u>96,931</u> | <u>72,225</u> |
| Cash and cash equivalents, end of year | <u>\$ 251,669</u> | <u>\$ 96,931</u> |
| Supplemental disclosure – cash paid for interest | <u>\$ 1,847</u> | <u>\$ 2,745</u> |

See accompanying notes and auditors' report

**BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

1. Summary of Significant Accounting Policies

Nature of Operations

Baton Rouge Area Alcohol and Drug Center, Inc (the Organization) was incorporated as a non-profit corporation on August 3, 1972. The Organization offers a lifeline to adult men and women suffering with substance abuse and/or addiction through providing medical and non-medical detoxification services to anyone entering voluntarily. Support for the Organization comes from the federal, state, and local governments, as well as, contributions from individuals, corporations, and other non-profit organizations.

Basis of Accounting

The financial statements of Baton Rouge Area Alcohol and Drug Center, Inc have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The financial statements are prepared in accordance with generally accepted accounting principles promulgated in the United States of America for not-for-profit organizations. The Organization reports information about its financial position and activities using three classes of net assets that recognize the existence and nature of restrictions on its net assets.

Unrestricted net assets represent resources over which the Board of Directors has unlimited discretionary control to use in carrying out the activities of the organization in accordance with the Articles of Incorporation and bylaws.

Temporarily restricted net assets represent resources over which use is limited by donor-imposed restrictions that will be met either by actions of the organization or by passage of time.

Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently.

Restricted and Unrestricted Support

Contributions received are recorded as temporarily restricted, permanently restricted or unrestricted support depending on the nature of any donor restriction. Contributions made to the Organization are considered available for unrestricted use unless specifically restricted by the donor. Contributions of property and equipment are reported as unrestricted contributions when placed in service unless the donor has restricted the use of the asset to a specific purpose or time period. Contributions of cash or other assets are unrestricted when acquired and placed in service, unless the donor has also required that the asset be used for a specific purpose or time period.

All restricted support is reported as an increase in temporarily or permanently restricted net assets. However, support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. When a restriction expires, such as when a stipulated time period ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

**BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

1 Summary of Significant Accounting Policies (continued)

Cash

Cash includes all monies held with banks

Accounts Receivable

Accounts receivable consists of amounts due from federal, state and local governments, as well as, other non-profit organizations. Management believes that all accounts receivable as of the balance sheet date are collectible and thus no allowance for doubtful accounts is necessary.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization files Form 990 in the U.S. federal jurisdiction. The Organization is no longer subject to examination from the U.S. federal jurisdiction for tax years before 2008.

Advertising

Baton Rouge Area Alcohol and Drug Center, Inc. expenses its advertising costs as incurred. Advertising expense was \$724 and \$6,921 for the years ended June 30, 2012 and 2011, respectively.

Subsequent Events

The Organization has evaluated subsequent events through February 22, 2013, the date the financial statements were available to be issued, for recording and disclosure.

2. Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for betterments that materially prolong the useful lives of assets are capitalized and are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|-------------------------|-------------|
| Furniture and fixtures | 5 - 7 years |
| Machinery and equipment | 5 - 7 years |
| Vehicles | 5 years |

Property and equipment consists of the following

| | <u>2012</u> | <u>2011</u> |
|----------------------------|-------------------|-------------------|
| Buildings and improvements | \$ 153,251 | \$ 128,251 |
| Furniture and Equipment | 68,204 | 68,204 |
| Vehicles | 38,949 | 60,865 |
| Land | <u>315,279</u> | <u>315,279</u> |
| | 575,683 | 572,599 |
| Accumulated depreciation | <u>(97,934)</u> | <u>(96,771)</u> |
| | <u>\$ 477,749</u> | <u>\$ 475,828</u> |

Capitalized buildings and improvements in the amount of \$153,251 and land in the amount of \$315,279 are for a new facility that as of June 30, 2012 has not yet been placed into service.

BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

3 Notes Payable

| Long term notes payable consists of the following | <u>2012</u> | <u>2011</u> |
|---|-----------------|------------------|
| Note dated May 28, 2008 with an original balance of \$21,916, due in monthly payments of \$419 on the 12 th of the month with an interest rate of 5.49%. The note was paid off in 2012. | \$ - | \$ 9,079 |
| Note dated February 14, 2011 with an original balance of \$34,449, due in monthly payments of \$811 on the 14 th of the month with an interest rate of 5.99%. The note is secured by a vehicle | <u>12,372</u> | <u>31,874</u> |
| | 12,372 | 40,953 |
| Less current installments | <u>(3,132)</u> | <u>(12,691)</u> |
| | <u>\$ 9,240</u> | <u>\$ 28,262</u> |

Maturities of long term notes payable are as follows

| | |
|------|------------------|
| 2013 | 9,240 |
| 2014 | <u>3,132</u> |
| | <u>\$ 12,372</u> |

The Organization also has an available line of credit up to \$50,000, payable to Regions Bank, interest paid monthly and computed at 6.25% annually. At June 30, 2012 and 2011 the Organization had \$0 and \$7,000 outstanding on the line of credit, respectively.

4 Commitments and Contingencies

The Organization receives a portion of its revenues from federal, state, and local government grants and contracts, many of which are subject to audit by the federal, state, or local government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to, and audited by, the government. Until such audits have been completed and a final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is not aware of any pending audits or proposed adjustments, and no provisions for estimated retroactive adjustments have been made.

During the year ending June 30, 2009 the Organization spent \$200,000 in Community Development Block Grant funds for the purchase of land and infrastructure development for a new facility. The terms of the grant requires the Organization to repay the funds in ten annual principal payments of \$20,000. The grant also stipulates that the Organization may forego repayment of these funds by providing detoxification services at the new facility in an amount equal to the annual principal payments. During the year ended June 30, 2012 the Organization began repaying the Community Development Block Grant funds by making two payments of \$20,000.

5 Accrued Vacation Payable

Annual leave is accrued beginning with the first month of employment but is not taken until an employee has been with the Organization for six months. The annual accrual varies with the employee's years of service and there is a limitation on the amount of leave which can be carried over to the next year. The payable for accrued vacation at June 30, 2012 and 2011 is \$18,672 and \$30,948, respectively.

BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

6 In-Kind Contributions

The Organization occupies facilities provided by the City-Parish of East Baton Rouge at no cost to the Organization. For the year ending June 30, 2012 and 2011 the rent and occupancy was valued at \$26,941 and \$77,028, respectively, and repairs and maintenance were valued at \$2,031 and \$1,595, respectively. These in-kind contributions are reported with other revenues from the City-Parish with the offset recorded as an expense. The Organization also received food from the Baton Rouge Food Bank in the amount of \$8,825 and \$8,163 for the years ended June 30, 2012 and 2011, respectively.

7 Concentrations

For the year ending June 30, 2012 approximately 40 %, 14%, and 22% of the organization's revenue is from funding provided by Capital Area Human Services District, Housing Opportunities for Persons with AIDS, and the City-Parish of East Baton Rouge, respectively. Approximately 30%, 48%, and 21% of accounts receivable are from the Capital Area Human Service District, Housing Opportunities for Persons with AIDS, and the Ryan White Program, respectively.

For the year ending June 30, 2011 approximately 22%, 19% and 29 % of the organization's revenue is from funding provided by Capital Area Human Services District, Housing Opportunities for Persons with AIDS, and the City-Parish of East Baton Rouge, respectively. Approximately 56%, 21%, and 15% of accounts receivable are from the Capital Area Human Service District, Housing Opportunities for Persons with AIDS, and the Department of Health and Hospitals, respectively.

Financial instruments, which potentially subject the center to concentration of credit risk, consist principally of cash accounts. Cash accounts are insured by the Federal Deposit Insurance Corporation for up to \$250,000. Amounts in excess of insured limits at June 30, 2012 were approximately \$40,635. The center does not believe that it is exposed to any significant credit risk on uninsured amounts.

8. Restrictions on Net Assets

The Organization's temporarily restricted net assets at June 30, 2012 and 2011 are available for the following purposes

| | <u>2012</u> | <u>2011</u> |
|---------------------------------------|------------------|-----------------|
| Case management computer database | \$ - | \$ 4,525 |
| Equipment and technology improvements | 20,000 | - |
| | <u>\$ 20,000</u> | <u>\$ 4,525</u> |

9 Related Party Transactions

During the year the Center paid the immediate past president \$7,700 to provide temporary consulting and other services related to personnel management.

10 Subsequent Event

On July 26, 2012 the Center purchased a new building for the purpose of expanding the drug and alcohol program. The total cost of the new building was \$1,600,000 which includes a note in the amount of \$1,320,000 at 5.65% payable over 15 years with a final payment of the outstanding principal at the end of the note. Monthly payments on this note are \$9,255.

**BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

| <u>Federal Grantor/Pass-through or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|---|---------------------------------|
| U S Department of Health and Human Services direct programs | | | |
| Substance Abuse and Mental Health Services- Access to Recovery | 93 275 | N/A | \$ <u>43,586</u> |
| Subtotal Department of Health and Human Services direct programs | | | <u>43,586</u> |
| Pass-through programs from | | | |
| Capital Area Human Services District | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93 959 | SA50015 & SA50025 | 692,670 |
| City of Baton Rouge-Parish of East Baton Rouge Office of Community Development | | | |
| HIV Emergency Relief Project Grants | 93 914 | N/A | <u>95,906</u> |
| Subtotal Department of Health and Human Services pass-through programs | | | <u>788,576</u> |
| Total U S Department of Health and Human Services | | | 832,162 |
| U S. Department of Housing and Urban Development pass-through programs from | | | |
| City of Baton Rouge-Parish of East Baton Rouge Office of Community Development | | | |
| Housing Opportunities for Persons with AIDS | 14 241 | N/A | 246,572 |
| Community Development Block Grants | 14 218 | N/A | <u>25,206</u> |
| Total Department of Housing and Urban Development pass-through programs | | | <u>271,778</u> |
| Total expenditures of federal awards | | | \$ 1,103,940 |

See accompanying notes and auditors' report

**BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Baton Rouge Area Alcohol and Drug Center, Inc (the Organization) under programs of the federal government for the year ended June 30, 2012. 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*. 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.

2 Summary of Significant Accounting Policies

- a) 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.
- b) Pass-through entity identifying numbers are presented where available.

DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

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

To the Board of Directors
Baton Rouge Area Alcohol and Drug Center, Inc
Baton Rouge, Louisiana

We have audited the financial statements of Baton Rouge Area Alcohol and Drug Center, Inc , (a non-profit organization) as of June 30, 2012 and 2011 and for the years then ended, and have issued our report thereon dated February 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

Internal Control over Financial Reporting

Management of Baton Rouge Area Alcohol and Drug Center, Inc is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Baton Rouge Area Alcohol and Drug Center, 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 Baton Rouge Area Alcohol and Drug Center, Inc 's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. This instance is reported as finding 2012-1.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. This instance is reported as finding 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Baton Rouge Area Alcohol and Drug Center, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, others within the organization, the Legislative Auditor, 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Disreport of Brian Apae

Baton Rouge, Louisiana
February 22, 2013

DAIGREPONT & BRIAN

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Baton Rouge Area Alcohol and Drug Center, Inc
Baton Rouge, Louisiana

Compliance

We have audited the compliance of Baton Rouge Area Alcohol and Drug Center, Inc (a non-profit organization) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Baton Rouge Area Alcohol and Drug Center, Inc 's major federal programs for the year ended June 30, 2012. Baton Rouge Area Alcohol and Drug Center, Inc 's major federal programs are identified in the summary of auditors' reports 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 is the responsibility of Baton Rouge Area Alcohol and Drug Center, Inc 's management. Our responsibility is to express an opinion on Baton Rouge Area Alcohol and Drug Center, 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*. Those standards and OMB Circular A-133 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 Baton Rouge Area Alcohol and Drug Center, 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 Baton Rouge Area Alcohol and Drug Center, Inc.'s compliance with those requirements.

In our opinion, Baton Rouge Area Alcohol and Drug Center, Inc. complied, in all material respects with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Baton Rouge Area Alcohol and Drug Center, Inc is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Baton Rouge Area Alcohol and Drug Center, Inc 's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the organization'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 control 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-1 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a significant deficiency. This instance is reported as finding 2012-2.

Baton Rouge Area Alcohol and Drug Center, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Baton Rouge Area Alcohol and Drug Center, Inc.'s response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the board of directors, management, others within the organization, the Legislative Auditor, 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Disigreport of Brian APAC.

Baton Rouge, Louisiana
February 22, 2013

**BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

We have audited the financial statements of Baton Rouge Area Alcohol and Drug Center, Inc , as of June 30, 2012, and for the year then ended, and have issued our report thereon dated February 22, 2013 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 the provisions of OMB Circular A-133 Our audit of the financial statements as of June 30, 2012 resulted in an unqualified opinion

Summary of Auditor's Reports

a Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Significant Deficiencies Yes No

Compliance

Compliance Material to Financial Statements Yes No

b Federal Awards

Internal Control

Material Weaknesses Yes No Significant Deficiencies Yes No

Type of Opinion On Compliance For Major Programs Unqualified Qualified Disclaimer Adverse

Are their findings required to be reported in accordance with Circular A-133, Section 510(a) Yes No

Was a management letter issued? Yes No

c Identification of Major Programs

CFDA Number(s)

Name of Federal Program (or Cluster)

93 959

Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B Programs \$ 300,000

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? Yes No

Finding – Financial Statement Audit

Finding 2012-1 – Accounting Review and Financial Statement Preparation

Observation

During the performance of our audit procedures we noted several accounts that required significant accounting adjustments The discrepancies noted are as follows

- Cash – Cash balances were understated as a result of checks being recorded in the wrong period Although bank reconciliations were being performed, there were multiple checks outstanding that applied to the next fiscal year
- Accounts Receivable – Accounts receivable balances were understated as a result of several receivables not being recorded No procedures had been performed to reconcile the balance of accounts receivable with the monthly contract billings
- Accounts Payable – No accounts payable had been recorded for amounts owed but not paid at the end of the year
- Expenses – Several transactions were incorrectly coded to one expense account causing the account to be overstated
- Financial Statements – The Organization relies on its auditors to assist in adjusting the books and to assist in the preparation of external financial statements and related disclosures Under U.S generally accepted auditing standards, the auditors cannot be considered part of the Organization's internal control structure, and because of limitations of the Organization's staff, the design of the internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements

Recommendations.

We suggest management and the finance committee review cash reconciliations, as well as, accounts receivable and accounts payable subsidiary ledgers on at least a quarterly basis. This would allow management and the finance committee to identify errors in account balances so they could be corrected on a more timely basis. In addition, budget to actual comparisons may help identify errors in account coding or classifications.

We also suggest management obtain the technical knowledge and tools necessary to prepare the external financial statements. This might be accomplished through staff development or hiring, as well as outsourcing the functions.

Management's Response

Management concurs with this finding. Around the end of the fiscal year Baton Rouge Area Alcohol and Drug Center, Inc changed accounting software and encountered significant problems in the conversion. These problems included transactions being recorded in the wrong accounts and in some cases the wrong period. These problems were ultimately corrected for future periods but not retroactively.

Management has evaluated the cost vs the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the Organization to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

2012-2 – Filing with the Louisiana Legislative Auditor

Observation

The Center failed to submit their audit report to the Louisiana Legislative Auditor's office within six months of their fiscal year end.

Recommendations

We suggest planning and preparation be made to anticipate circumstances which would delay the report beyond the required filing date.

Management's Response.

Around the end of our fiscal year we had to hire a new contract bookkeeper to replace the volunteer bookkeeper who had previously been performing our bookkeeping functions. At the time of the change in bookkeepers we also changed accounting software. Both of these factors combined to cause a delay in beginning the audit. Once the audit began we encountered an additional setback when our office manager was forced to take an unexpected leave which slowed the audit once it began. Going forward we do not anticipate these delays happening again.

Questioned Costs

There are no questioned costs for the year ended June 30, 2012.

**BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary of Prior Year Audit Findings

2011-1 Qualifications and Training to apply generally accepted accounting principles (GAAP)

Status This finding has been reclassified as part of finding 2012-1

Questioned Costs

There are no questioned costs for the year ended June 30, 2011