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May 7, 2008

Board of Directors
Community Addiction Services of Indiana, Inc.
1125 Brookside Ave., Ste. 1
Indianapolis, IN 46202

We have reviewed the audit report prepared by Dunbar, Cook & Shepard, PC, Independent Public Accountants, for the period July 1, 2006 to June 30, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Community Addiction Services of Indiana, Inc., as of June 30, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the finding in the report. Page 20 contains one current audit finding.

STATE BOARD OF ACCOUNTS



**COMMUNITY ADDICTION SERVICES OF
INDIANA, INC.**

AUDITED FINANCIAL STATEMENTS

June 30, 2007 and 2006

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS.....	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	2
Statements of Activities and Changes in Unrestricted Net Assets.....	3
Statements of Functional Expenses.....	4
Statements of Program Operations.....	6
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9
SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards.....	13
Notes to Schedule of Expenditures of Federal Awards.....	14
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	15
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	17
Schedule of Findings and Questioned Costs.....	19
Corrective Action Plan.....	21

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Addiction Services of Indiana, Inc.
Indianapolis, Indiana

We have audited the accompanying statements of financial position of **Community Addiction Services of Indiana, Inc.**, a non-profit organization, as of June 30, 2007 and 2006, and the related statements of activities and changes in unrestricted net assets, functional expenses, program operations, and cash flows for the years then ended. These financial statements are the responsibility of Community Addiction Services of Indiana, Inc.'s management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Addiction Services of Indiana, Inc., as of June 30, 2007 and 2006, and the changes in its unrestricted net assets and its 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 November 19, 2007, on our consideration of Community Addiction Services of Indiana, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should not be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic 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 also not a required part of the financial statements of Community Addiction Services of Indiana, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

November 19, 2007

Dunbar, Cook & Shepard, P.C.

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,833	\$ 7,284
Accounts receivable, net of allowance for doubtful accounts of \$3,000 for June 30, 2007 and 2006	145,457	114,143
Prepaid expenses	<u>21,499</u>	<u>38,182</u>
TOTAL CURRENT ASSETS	179,789	159,609
PROPERTY AND EQUIPMENT		
Furniture and office equipment	92,969	158,270
Vehicles	22,495	22,495
Other equipment	1,875	1,875
Less accumulated depreciation	<u>(107,927)</u>	<u>(166,645)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>9,412</u>	<u>15,995</u>
TOTAL ASSETS	<u>\$ 189,201</u>	<u>\$ 175,604</u>
LIABILITIES AND UNRESTRICTED NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 35,145	\$ 61,203
Line of credit	-	95,000
Current maturities of long-term debt	9,973	9,233
Accrued payroll and related taxes	<u>481</u>	<u>18,577</u>
TOTAL CURRENT LIABILITIES	45,599	184,013
LONG-TERM DEBT	<u>23,657</u>	<u>33,209</u>
TOTAL LIABILITIES	69,256	217,222
UNRESTRICTED NET ASSETS (DEFICIT)	<u>119,945</u>	<u>(41,618)</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS (DEFICIT)	<u>\$ 189,201</u>	<u>\$ 175,604</u>

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
DMH managed care	\$ 915,656	\$ 552,281
United Way Agency	114,108	87,318
Fee for service - counties	230,812	244,778
Fee for service - other	67,166	64,135
Participant fees	1,341	1,223
Medicaid	7,616	27,359
Indiana Administrative Outreach	116,695	51,019
General grants	2,947	105,647
Other	29,185	5,156
Fundraising	13,595	9,283
Interest income	<u>252</u>	<u>3,295</u>
TOTAL REVENUES	1,499,373	1,151,494
EXPENSES		
General program services	1,166,666	1,059,851
General and administrative	102,843	179,132
Fundraising	<u>68,301</u>	<u>50,989</u>
TOTAL EXPENSES	<u>1,337,810</u>	<u>1,289,972</u>
CHANGES IN UNRESTRICTED NET ASSETS	161,563	(138,478)
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	<u>(41,618)</u>	<u>96,860</u>
UNRESTRICTED NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 119,945</u>	<u>\$ (41,618)</u>

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2007

**SUPPORTING
SERVICES**

GENERAL PROGRAM SERVICES

	CASI	Confidence Club	Noblesville	Sub Total	General and Administrative	Fundraising	Grand Total
	Outpatient Treatment	Club	Noblesville	Total	Administrative	Fundraising	Total
Salaries and wages	\$ 406,779	\$ 25,113	\$ 47,667	\$ 479,559	\$ 86,291	\$ 38,690	\$ 604,540
Payroll taxes	32,101	1,943	3,320	37,364	9,739	1,808	48,911
Employee benefits	86,949	(487)	3,312	89,774	1,422	5,476	96,672
TOTAL SALARIES AND RELATED EXPENSES	525,829	26,569	54,299	606,697	97,452	45,974	750,123
Consultants	245,436	7,609	-	253,045	-	12,628	265,673
Office supplies, postage and shipping	12,337	260	520	13,117	390	108	13,615
Medical lab fees and other medical	20,144	-	-	20,144	-	-	20,144
Food and beverage costs	1,068	-	-	1,068	867	-	1,935
Rent	77,686	17,400	13,042	108,128	2,167	-	110,295
Telephone and utilities	11,869	1,513	5,886	19,268	433	4,584	24,285
Insurance	17,013	9,454	6,722	33,189	-	-	33,189
Repairs and maintenance	14,909	-	-	14,909	-	-	14,909
Legal, accounting and audit	22,519	-	-	22,519	-	-	22,519
Depreciation	9,052	195	-	9,247	-	-	9,247
Other supplies	1,232	-	-	1,232	-	5,007	6,239
Advertising	703	-	-	703	-	-	703
Travel	2,022	2,409	102	4,533	737	-	5,270
Conferences	1,156	8,442	25	9,623	-	-	9,623
Interest expense	10,655	-	-	10,655	-	-	10,655
Equipment rental and leases	24,371	-	-	24,371	-	-	24,371
Other	12,897	743	578	14,218	797	-	15,015
TOTAL OTHER EXPENSES	485,069	48,025	26,875	559,969	5,391	22,327	587,687
TOTAL EXPENSES	\$ 1,010,898	\$ 74,594	\$ 81,174	\$ 1,166,666	\$ 102,843	\$ 68,301	\$ 1,337,810

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2006

SUPPORTING SERVICES

GENERAL PROGRAM SERVICES

	GENERAL PROGRAM SERVICES			SUPPORTING SERVICES		Grand Total	
	CASI Outpatient Treatment	Confidence Club	Noblesville	Sub Total	General and Administrative		Fundraising
Salaries and wages	\$ 361,231	\$ 9,171	\$ 99,986	\$ 470,388	\$ 107,697	\$ 27,036	\$ 605,121
Payroll taxes	31,916	363	5,721	38,000	16,001	-	54,001
Employee benefits	65,196	(176)	16,098	81,118	19,917	9,248	110,283
TOTAL SALARIES AND RELATED EXPENSES	458,343	9,358	121,805	589,506	143,615	36,284	769,405
Consultants	166,567	19,096	-	185,663	-	12,500	198,163
Office supplies, postage and shipping	14,677	2,549	2,063	19,289	2,430	83	21,802
Medical lab fees and other medical	25,264	-	-	25,264	-	-	25,264
Food and beverage costs	1,693	26	-	1,719	771	-	2,490
Rent	77,911	12,600	8,594	99,105	8,719	1,667	109,491
Telephone and utilities	9,001	3,605	3,320	15,926	12,271	400	28,597
Insurance	9,333	5,250	3,267	17,850	-	-	17,850
Repairs and maintenance	22,344	160	-	22,504	4,212	-	26,716
Legal, accounting and audit	11,205	-	3,900	15,105	-	-	15,105
Depreciation	14,929	150	-	15,079	-	-	15,079
Other supplies	4,251	-	354	4,605	424	55	5,084
Advertising	3,473	-	-	3,473	-	-	3,473
Travel	1,563	458	1,502	3,523	1,161	-	4,684
Conferences	1,915	3,879	400	6,194	-	-	6,194
Interest expense	3,302	-	-	3,302	921	-	4,223
Equipment rental and leases	12,514	-	-	12,514	-	-	12,514
Other	18,198	396	636	19,230	4,608	-	23,838
TOTAL OTHER EXPENSES	398,140	48,169	24,036	470,345	35,517	14,705	520,567
TOTAL EXPENSES	\$ 856,483	\$ 57,527	\$ 145,841	\$ 1,059,851	\$ 179,132	\$ 50,989	\$ 1,289,972

See accompanying notes and auditors' report.

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
STATEMENT OF PROGRAM OPERATIONS
For the Year Ended June 30, 2007

	CASI	Confidence	Noblesville	Total
	Outpatient	Club		
	Treatment			
REVENUES				
DMH managed care	\$ 879,656	\$ -	\$ 36,000	\$ 915,656
United Way Agency	85,207	16,318	12,583	114,108
Fees for service	278,452	-	19,526	297,978
Other revenues	<u>161,996</u>	<u>9,635</u>	<u>-</u>	<u>171,631</u>
	1,405,311	25,953	68,109	1,499,373
	TOTAL REVENUES			
EXPENSES				
Salaries and wages	406,779	25,113	47,667	479,559
Payroll taxes and benefits	119,050	1,456	6,632	127,138
Consultants	245,436	7,609	-	253,045
Rent	77,686	17,400	13,042	108,128
Other program expenses	<u>161,947</u>	<u>23,016</u>	<u>13,833</u>	<u>198,796</u>
	1,010,898	74,594	81,174	1,166,666
	TOTAL EXPENSES			
	\$ 394,413	\$ (48,641)	\$ (13,065)	\$ 332,707
	OPERATING INCOME (LOSS) BY PROGRAM			

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
STATEMENT OF PROGRAM OPERATIONS
For the Year Ended June 30, 2006

	CASI			
	Outpatient Treatment	Confidence Club	Noblesville	Total
REVENUES				
DMH managed care	\$ 514,071	\$ (540)	\$ 38,750	\$ 552,281
United Way Agency	61,679	15,141	10,498	87,318
Fee for service	270,394	-	38,519	308,913
Other revenues	<u>193,659</u>	<u>8,823</u>	<u>500</u>	<u>202,982</u>
	1,039,803	23,424	88,267	1,151,494
	TOTAL REVENUES			
EXPENSES				
Salaries and wages	361,231	9,171	99,986	470,388
Payroll taxes and benefits	97,112	187	21,819	119,118
Consultants	166,567	19,096	-	185,663
Rent	77,911	12,600	8,594	99,105
Other program expenses	<u>153,662</u>	<u>16,473</u>	<u>15,442</u>	<u>185,577</u>
	856,483	57,527	145,841	1,059,851
	TOTAL EXPENSES			
	\$ 183,320	\$ (34,103)	\$ (57,574)	\$ 91,643
	OPERATING INCOME (LOSS) BY PROGRAM			

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants, contributions and fees	\$ 1,467,807	\$ 1,074,750
Interest received	252	3,295
Cash paid to suppliers	(740,839)	(653,688)
Salaries and wages paid	(604,540)	(631,044)
Interest paid	<u>(10,655)</u>	<u>(4,223)</u>
NET CASH USED IN OPERATING ACTIVITIES	112,025	(210,910)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,664)	-
Proceeds from sale of assets	<u>-</u>	<u>(3,437)</u>
NET CASH FROM INVESTING ACTIVITIES	(2,664)	(3,437)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	50,000
Principal payments on long-term debt	(8,812)	(7,558)
Proceeds from line of credit	10,000	160,000
Repayment of line of credit	<u>(105,000)</u>	<u>(65,000)</u>
NET CASH FROM FINANCING ACTIVITIES	(103,812)	137,442
NET INCREASE (DECREASE) IN CASH	5,549	(76,905)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>7,284</u>	<u>84,189</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 12,833</u>	<u>\$ 7,284</u>
RECONCILIATION OF CHANGES IN UNRESTRICTED NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES		
Changes in unrestricted net assets	\$ 161,563	\$ (138,478)
Adjustments to reconcile changes in unrestricted net assets to net cash used in operating activities:		
Depreciation	9,247	15,079
Loss on disposal of assets	-	6,221
(Increase) in accounts receivable	(31,314)	(73,449)
(Increase) decrease in prepaid expenses	16,683	(15,818)
Increase (decrease) in accounts payable	(26,058)	21,458
(Decrease) in accrued expenses	<u>(18,096)</u>	<u>(25,923)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ 112,025</u>	<u>\$ (210,910)</u>

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - Community Addiction Services of Indiana, Inc., is a not-for-profit organization that provides prevention and outpatient treatment services for chronically addicted persons, court-ordered substance abuse evaluation services, and services for treatment of compulsive gambling. The Organization is supported through a contract with Addiction Resource Network of Indiana, Inc., fees for service contracts, participant fees, and other grants.

The Organization is a member of the Addiction Resource Network of Indiana, Inc., a related party (the Network), a state-wide managed care provider of addiction treatment services. The Organization is one of four members of the Network, with each member represented by a member on the Board of Directors. The funding provided by the Network to the Organization comes from the State of Indiana Family and Social Services Administration Division of Mental Health. A large portion of the funds comes from the U.S. Department of Health and Human Services.

CASI's portion of funding from Indiana FSSA/DMH is \$915,656 and \$552,281 for the years ending June 30, 2007 and 2006. The funding areas were as follows:

	<u>2007</u>	<u>2006</u>
<u>State Funding</u>	\$ 206,895	\$ 141,894
<u>Federal Funding</u>		
SAPT Block Grant	\$ 708,761	\$ 410,387

The treatment services currently operated by the Organization are as follows:

CASI Outpatient Treatment - CASI offers a variety of outpatient alcohol and drug abuse services to the residents of Marion County and the eight surrounding counties. The services include group, individual and family counseling, and also educational programs.

Confidence Club (CC) - CC is a prevention volunteer-based family program teaching Tae Kwon Do classes to young people learning the philosophy of respect, self-confidence, goal attainment, belonging, physical fitness, and healthy life choices.

Noblesville - Satellite outpatient counseling office located in Noblesville, Indiana.

BASIS OF ACCOUNTING - The Organization prepares its financial statements using the accrual basis of accounting. Accrual accounting requires the recognition of revenues when earned and are measurable, in the accounting period when services are provided, and the recognition of expenses in the period in which they occur.

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A - CONTINUED

CASH AND CASH EQUIVALENTS - For the purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CONCENTRATION OF CREDIT RISK - Occasionally, the Organization maintains checking account balances over \$100,000. The account balances are insured by the FDIC up to \$100,000.

Approximately 47 percent of the 2007 and 2006 revenues were generated by one related-party provider.

RECEIVABLES AND CREDIT POLICIES - Accounts receivable represent uncollateralized obligations due to the Organization for treatment services. The balances are due under normal trade terms and require payment within 30 days of the billing date. Accounts receivable are stated at the amount billed to the paying agency and represent the amount management expects to collect from the outstanding balances. Paying agencies with account balances over 90 days old are considered delinquent.

The Organization establishes an allowance for uncollectible accounts receivable based on historical collection experience, economic conditions, and management's evaluation of collectibility of outstanding balances. Management periodically reviews the status of delinquent accounts and writes off uncollectible accounts after reasonable collection efforts have been exhausted. The allowance for doubtful accounts was \$3,000 at June 30, 2006 and 2005.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2007 and 2006 was \$9,247 and \$15,079, respectively. The Organization's capitalization policy is to capitalize asset acquisitions for \$500 and greater.

FUNCTIONAL EXPENSES - Functional expenses have been allocated between General Program Services and Supporting Services based on an analysis of personnel time utilized for the related activities.

RECLASSIFICATION - Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current year's.

INCOME TAXES - Community Addiction Services of Indiana, Inc., is a private not-for-profit Indiana corporation, and its activities are exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). The Organization is classified as a public charity by the Internal Revenue Service.

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A – CONTINUED

DISPLAY OF NET ASSETS BY CLASS - Net assets of the temporarily or permanently restricted classes are created only by donor-imposed restrictions on their use. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At June 30, 2007 and 2006, the Organization had no temporarily or permanently restricted net assets.

All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class. Unrestricted net assets are net assets that are not subject to donor restrictions.

ADVERTISING - The Organization expenses all advertising costs as they are incurred. Total advertising costs for the years ended June 30, 2007 and 2006 were \$703 and \$3,473, respectively.

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.

NOTE B - LEASE OBLIGATIONS

Facilities - The Organization leases facilities for its offices, counseling center, and confidence club under a 5-year cancelable lease through August 2010. The space for the two counseling facilities, Confidence Club and Noblesville, are on month-to-month leases. Rent expense for the years ended June 30, 2007 and 2006 was \$110,295 and \$109,491, respectively.

Equipment - The Organization leases equipment and copiers through June 2009. Lease expense was \$24,371 and \$12,514 for the years ended June 30, 2007 and 2006, respectively.

The Organization has future minimum lease obligations as follows:

Years Ended			
<u>June 30</u>	<u>Premises</u>	<u>Equipment</u>	
2008	\$ 102,027	\$ 17,664	
2009	102,027	10,752	
2010	102,027	10,752	
2011	102,027	-	
2012	17,004	-	

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE C - EMPLOYEE BENEFIT PLANS

The Organization maintains a 403(B) retirement plan for its employees. Under the terms of the Plan, employees are entitled to contribute within limits established by the Internal Revenue Code. The Organization does not make any matching contributions.

The Organization also maintains a Section 125 cafeteria plan. Employees become eligible after 30 days of employment.

NOTE D - LINE OF CREDIT

The Organization renewed a \$100,000 line of credit dated June 11, 2007. The line of credit has a variable interest rate at prime plus ½ percent (8.25 percent and 6.00 percent at June 30, 2007 and 2006, respectively) and is secured by substantially all assets. The line matures in May 2008. The Organization had an outstanding balance of \$-0- and \$95,000 at June 30, 2007 and 2006, respectively.

NOTE E - LONG-TERM DEBT

The Organization entered into a promissory note with a bank on August 24, 2005. The note has an interest rate of 6.75 percent and terminates August 24, 2010. The note is payable over 60 monthly payments of \$986. The note is secured by substantially all assets.

Maturities of long-term debt as of June 30, 2007 are as follows:

2008	\$ 9,973
2009	10,564
2010	11,299
2011	<u>1,794</u>
Total	<u>\$ 33,630</u>

SINGLE AUDIT SECTION

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Entity Identifying Pass-Through Number	Federal Expenditures
Department of Health and Human Services - Indiana Family and Social Services Administration, Division of Mental Health and Addictions - Addiction Resource Network of Indiana, Inc.	93.959	6000/139100	\$ <u>708,761</u>

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
NOTES TO SCHEDULE OF FEDERAL AWARDS
June 30, 2007

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Addiction Services of Indiana, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - FEDERAL PORTION OF GRANTS

The CFDA numbers have been taken from the grant documents as the programs from which the amounts would be drawn. The Federal portion of grants received for programs under the Department of Health and Human Services has been determined to be 77.4% according to the Indiana Family and Social Services Administration.

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

To the Board of Directors of Community Addiction Services of Indiana, Inc.

We have audited the financial statements of **Community Addiction Services of Indiana, Inc.**, (Organization) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community Addiction Services of Indiana, 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 the Organization'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be a significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 07-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Addiction Services of Indiana, 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*.

The Organization's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, Indiana Family and Social Services Administration, the Division of Mental Health, 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.

November 19, 2007

Dunbar, Cook & Shepard, P.C.

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

To the Board of Directors of Community Addiction Services of Indiana, Inc.

Compliance

We have audited the compliance of **Community Addiction Services of Indiana, Inc.**, (Organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on Organization'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 the Organization's compliance with those requirements and performing such other procedures as we consider 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 Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization'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, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider item 07-01 to be a material weakness.

The Organization's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Indiana Family and Social Services Administration, the Division of Mental Health and Addictions, 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.

November 19, 2007

Dunbar, Cook & Shepard, P.C.

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

• Type of auditors' report issued: **unqualified.**

Government Auditing Standards

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes no

Compliance:

• Noncompliance material to financial statements noted? yes no

OMB Circular A-133

Internal control over major programs:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? yes no

Compliance with requirements applicable to each major program:

- Identification of major programs: 93.959 SAPT Block Grant
- Dollar threshold used to distinguish between type A and type B programs: \$ 300,000
- Auditee qualified as low-risk auditee? yes no
- Type of auditors' report issued on compliance for major programs: **unqualified.**
- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 07-1

- *See explanation below*

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 07-1

- *Information on the federal program*
U.S. Department of Health and Human Services – Indiana Family and social Services Administration, Division of Mental Health and Addictions, Addiction Resource Network of Indiana, Inc., Block Grant - CFDA #93.959.
- *Criteria or specific requirements*
Proper internal control requires that the entity have a segregation of duties. The Organization requires that the Executive Director initial the invoices that are presented for payment to document his approval of such disbursement. The Executive Director does sign each check.
- *Condition*
The documentation of payment of invoices did not reflect the approval for payment of the disbursement for 19 of our sample of 40. Subsequent review of the disbursements revealed that all payments were for proper purposes. Those invoices that did have documentation of approval were approved by the Executive Director.
- *Questioned costs*
\$-0-
- *Context*
The procedure in place was for the Director of Finance to receive vendor invoices and prepare checks for payment. He reviews the invoice for propriety and codes the disbursement to the proper expense account. He then presents the invoice and the check to the Executive Director for his approval and signing of the check.
- *Effect*
Inspection of the paid invoices did not indicate that the expenditure was authorized to be paid by the Executive Director.
- *Cause*
The cause of this condition appears to be simply oversight.
- *Recommendation*
The Organization does have a policy for the Executive Director to initial each invoice and sign the checks. The checks could be returned to the Director of Finance to review the invoices, prior to filing, to ensure that they have all been initialed by the Executive Director.
- *Managements Response*
Management agrees with the auditor's recommendation. Periodic reviews of paid invoices will be done to verify that approvals are being documented in accordance with the organizations policy.

PRIOR YEAR AUDIT FINDINGS

- None