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January 28, 2010

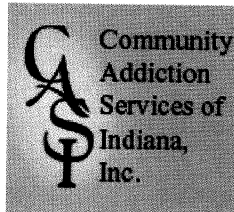
Board of Directors
Community Addiction
Services of Indiana, Inc.
1125 Brookside Ave., Ste. 1
Indianapolis, IN 46202

We have reviewed the audit report prepared by Dunbar, Cook & Shepard, PC, Independent Public Accountants, for the period July 1, 2007 to June 30, 2008. 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, 2008, 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 findings in the report. Page 21 contains one current audit finding. Page 22 contains the status of one prior audit finding.

STATE BOARD OF ACCOUNTS



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

AUDITED FINANCIAL STATEMENTS

June 30, 2008 and 2007

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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, 2008 and 2007, and the related statements of activities and changes in 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, 2008 and 2007, and the changes in its 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 September 22, 2008, 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 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 important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Community Addiction Services of Indiana, Inc. 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 basic financial statements. 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.

September 22, 2008

Dunbar, Cook & Shepard, P.C.

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 145,281	\$ 12,833
Accounts receivable, net of allowance for doubtful accounts of \$6,000 and \$3,000 for June 30, 2008 and 2007, respectively	72,071	145,457
Prepaid expenses	<u>13,735</u>	<u>21,499</u>
TOTAL CURRENT ASSETS	231,087	179,789
PROPERTY AND EQUIPMENT		
Furniture and office equipment	109,524	92,969
Vehicles	22,495	22,495
Other equipment	1,875	1,875
Less accumulated depreciation	<u>(113,533)</u>	<u>(107,927)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>20,361</u>	<u>9,412</u>
TOTAL ASSETS	<u>\$ 251,448</u>	<u>\$ 189,201</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 73,270	\$ 35,145
Current maturities of long-term debt	10,564	9,973
Accrued payroll and related taxes	<u>13,245</u>	<u>17,784</u>
TOTAL CURRENT LIABILITIES	97,079	62,902
LONG-TERM DEBT	<u>13,232</u>	<u>23,657</u>
TOTAL LIABILITIES	110,311	86,559
NET ASSETS		
Unrestricted	88,269	102,642
Temporarily restricted	<u>52,868</u>	<u>-</u>
TOTAL NET ASSETS	<u>141,137</u>	<u>102,642</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 251,448</u>	<u>\$ 189,201</u>

See accompanying notes and auditors' report.

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COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2008

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
REVENUES			
DMH managed care	\$ 666,465	\$ -	\$ 666,465
United Way Agency	88,497	-	88,497
Fee for service - counties	132,317	-	132,317
Fee for service - other	34,218	-	34,218
Participant fees	190	-	190
Medicaid	4,216	-	4,216
Indiana Administrative Outreach	126,959	-	126,959
General grants	39,131	68,000	107,131
Other	649	-	649
Fundraising	(282)	-	(282)
Interest income	71	-	71
Net assets released from restrictions	<u>15,132</u>	<u>(15,132)</u>	<u>-</u>
TOTAL REVENUES	1,107,563	52,868	1,160,431
EXPENSES			
General program services	907,935	-	907,935
General and administrative	147,798	-	147,798
Fundraising	<u>66,203</u>	<u>-</u>	<u>66,203</u>
TOTAL EXPENSES	<u>1,121,936</u>	<u>-</u>	<u>1,121,936</u>
CHANGES IN NET ASSETS	(14,373)	52,868	38,495
NET ASSETS - BEGINNING OF YEAR	<u>102,642</u>	<u>-</u>	<u>102,642</u>
NET ASSETS - END OF YEAR	<u>\$ 88,269</u>	<u>\$ 52,868</u>	<u>\$ 141,137</u>

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

	<u>2007</u>
REVENUES	
DMH managed care	\$ 915,656
United Way Agency	114,108
Fee for service - counties	230,812
Fee for service - other	67,166
Participant fees	1,341
Medicaid	7,616
Indiana Administrative Outreach	116,695
General grants	2,947
Other	29,185
Fundraising	13,595
Interest income	<u>252</u>
TOTAL REVENUES	1,499,373
EXPENSES	
General program services	1,166,666
General and administrative	102,119
Fundraising	<u>68,301</u>
TOTAL EXPENSES	<u>1,337,086</u>
CHANGES IN UNRESTRICTED NET ASSETS	162,287
UNRESTRICTED NET ASSETS (DEFICIT) - BEGINNING OF YEAR	(41,618)
Prior period adjustment	<u>(18,027)</u>
UNRESTRICTED NET ASSETS (DEFICIT) - BEGINNING OF YEAR, as restated	<u>(59,645)</u>
UNRESTRICTED NET ASSETS - END OF YEAR	<u>\$ 102,642</u>

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2008

SUPPORTING SERVICES

GENERAL PROGRAM SERVICES

	CASI			GENERAL PROGRAM SERVICES			SUPPORTING SERVICES		
	Outpatient Treatment	Confidence Club	Noblesville	Sub Total	Administrative and General	Fundraising	Grand Total		
Salaries and wages	\$ 378,808	\$ 2,674	\$ 18,333	\$ 399,815	\$ 100,167	\$ 40,219	\$ 540,201		
Payroll taxes	29,404	247	1,301	30,952	8,387	2,952	42,291		
Employee benefits	55,918	(7)	1,026	56,937	21,894	9,246	88,077		
TOTAL SALARIES AND RELATED EXPENSES	464,130	2,914	20,660	487,704	130,448	52,417	670,569		
Consultants	138,354	4,250	-	142,604	7,818	6,298	156,720		
Office supplies, postage and shipping	9,103	90	30	9,223	648	418	10,289		
Medical lab fees and other medical	11,918	-	-	11,918	-	-	11,918		
Food and beverage costs	928	40	13	981	1,683	-	2,664		
Rent	78,422	17,400	5,870	101,692	3,880	3,881	109,453		
Telephone and utilities	14,799	593	4,074	19,466	-	-	19,466		
Insurance	26,669	2,266	405	29,340	-	-	29,340		
Repairs and maintenance	14,499	-	-	14,499	-	-	14,499		
Legal, accounting and audit	14,480	-	-	14,480	-	-	14,480		
Depreciation	5,606	-	-	5,606	-	-	5,606		
Other supplies	-	-	-	-	74	2,592	2,666		
Advertising	435	-	-	435	-	-	435		
Travel	537	251	-	788	757	-	1,545		
Conferences	2,957	-	176	3,133	743	597	4,473		
Interest expense	7,080	-	-	7,080	139	-	7,219		
Equipment rental and leases	15,232	-	-	15,232	-	-	15,232		
Other	42,159	-	1,595	43,754	1,608	-	45,362		
TOTAL OTHER EXPENSES	383,178	24,890	12,163	420,231	17,350	13,786	451,367		
TOTAL EXPENSES	\$ 847,308	\$ 27,804	\$ 32,823	\$ 907,935	\$ 147,798	\$ 66,203	\$ 1,121,936		

See accompanying notes and auditors' report.

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

**SUPPORTING
SERVICES**

GENERAL PROGRAM SERVICES

	CASI	Confidence	Noblesville	Sub	General and	Fundraising	Grand
	Outpatient	Club		Total	Administrative		Total
	Treatment						
Salaries and wages	\$ 406,779	\$ 25,113	\$ 47,667	\$ 479,559	\$ 85,567	\$ 38,690	\$ 603,816
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	96,728	45,974	749,399
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	\$ 102,119	\$ 68,301	\$ 1,337,086

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
STATEMENT OF PROGRAM OPERATIONS
For the Year Ended June 30, 2008

	CASI			
	<u>Outpatient Treatment</u>	<u>Confidence Club</u>	<u>Noblesville</u>	<u>Total</u>
REVENUES				
DMH managed care	\$ 661,465	\$ -	\$ 5,000	\$ 666,465
United Way Agency	88,497	-	-	88,497
Fees for service	161,413	-	5,122	166,535
Other revenues	<u>238,744</u>	<u>190</u>	<u>-</u>	<u>238,934</u>
	1,150,119	190	10,122	1,160,431
	TOTAL REVENUES			
EXPENSES				
Salaries and wages	378,808	2,674	18,333	399,815
Payroll taxes and benefits	85,322	240	2,327	87,889
Consultants	138,354	4,250	-	142,604
Rent	78,422	17,400	5,870	101,692
Other program expenses	<u>166,402</u>	<u>3,240</u>	<u>6,293</u>	<u>175,935</u>
	847,308	27,804	32,823	907,935
	TOTAL EXPENSES			
	\$ 302,811	\$ (27,614)	\$ (22,701)	\$ 252,496
	OPERATING INCOME (LOSS) BY PROGRAM			

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

	CASI			
	<u>Outpatient Treatment</u>	<u>Confidence Club</u>	<u>Noblesville</u>	<u>Total</u>
REVENUES				
DMH managed care	\$ 879,656	\$ -	\$ 36,000	\$ 915,656
United Way Agency	85,207	16,318	12,583	114,108
Fee 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			
	<u>\$ 394,413</u>	<u>\$ (48,641)</u>	<u>\$ (13,065)</u>	<u>\$ 332,707</u>
	OPERATING INCOME (LOSS) BY PROGRAM			

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2008

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants, contributions and fees	\$ 1,233,746	\$ 1,467,807
Interest received	71	252
Cash paid to suppliers	(522,251)	(740,839)
Salaries and wages paid	(545,508)	(604,540)
Interest paid	<u>(7,219)</u>	<u>(10,655)</u>
NET CASH FROM OPERATING ACTIVITIES	158,839	112,025
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Purchase of property and equipment	(16,555)	(2,664)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(9,834)	(8,812)
Proceeds from line of credit	10,000	10,000
Repayment of line of credit	<u>(10,000)</u>	<u>(105,000)</u>
NET CASH FROM FINANCING ACTIVITIES	<u>(9,834)</u>	<u>(103,812)</u>
NET INCREASE IN CASH	132,450	5,549
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>12,833</u>	<u>7,284</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 145,283</u>	<u>\$ 12,833</u>
 RECONCILIATION OF CHANGES IN UNRESTRICTED NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES		
Changes in unrestricted net assets	\$ 38,495	\$ 162,287
Adjustments to reconcile changes in unrestricted net assets to net cash used in operating activities:		
Depreciation	5,606	9,247
(Increase) decrease in accounts receivable	73,386	(31,314)
(Increase) decrease in prepaid expenses	7,764	16,683
Increase (decrease) in accounts payable	38,125	(26,058)
Increase (decrease) in accrued expenses	<u>(4,537)</u>	<u>(18,820)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ 158,839</u>	<u>\$ 112,025</u>

See accompanying notes and auditors' report.

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 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 \$666,465 and \$915,656 for the years ending June 30, 2008 and 2007. The funding areas were as follows:

	<u>2008</u>	<u>2007</u>
<u>State Funding</u>	\$ 150,688	\$ 206,895
<u>Federal Funding</u>		
SAPT Block Grant	\$ 515,777	\$ 708,761

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, 2008 and 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. The Organization had \$59,929 on deposit in excess of federally insured limits as of June 30, 2008.

Approximately 58 percent and 61 percent of the 2008 and 2007 revenues, respectively, were generated by one 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 \$6,000 and \$3,000 at June 30, 2008 and 2007, respectively.

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, 2008 and 2007 was \$5,606 and \$9,247, 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, 2008

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, 2008 and 2007, 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.

TEMPORARILY RESTRICTED ASSETS – The Organization received a \$50,000 grant from Lilly Endowment, Inc. during 2008 for marketing consulting and computer technology enhancements. Expenditures for that purpose were \$15,132 during 2008. The Organization received an \$18,000 grant from the Marion County Drug Free Community Fund during 2008 for the Functional Needs Resource Coordination Project. There were no expenditures for that purpose during 2008. The Organization had temporarily restricted assets of \$52,868 at June 30, 2008.

ADVERTISING - The Organization expenses all advertising costs as they are incurred. Total advertising costs for the years ended June 30, 2008 and 2007 were \$435 and \$703, 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, 2008 and 2007 was \$109,453 and \$110,295, respectively.

Equipment - The Organization leases equipment and copiers through June 2009. Lease expense was \$15,232 and \$24,371 for the years ended June 30, 2008 and 2007, respectively.

The Organization has future minimum lease obligations as follows:

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

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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 - 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, 2008 are as follows:

2009	\$ 10,564
2010	11,299
2011	<u>1,933</u>
Total	<u>\$ 23,796</u>

NOTE E - PRIOR PERIOD ADJUSTMENT

It was determined that accruals were not recorded for earned, unpaid vacation at June 30. Accordingly, the financial statements have been adjusted to reflect additional payroll accruals of \$11,994 and \$17,303 at June 30, 2008 and 2007, respectively.

SINGLE AUDIT SECTION

**COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2008**

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.			
SAPT Block Grant	93.959	6000/139100	\$ <u>515,777</u>

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
NOTES TO SCHEDULE OF FEDERAL AWARDS
June 30, 2008

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.

NOTE C- SUBRECIPIENTS

Of the total federal expenditures presented in the schedule, Community Addiction Services of Indiana, Inc., provided federal awards totaling \$81,965 to subrecipients.

**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 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, 2008, and have issued our report thereon dated September 22, 2008. 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 organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 08-01 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 organization'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 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.

September 22, 2008

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, 2008. 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, 2008.

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.

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.

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.

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

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.

September 22, 2008

Dunbar, Cook & Shepard, P.C.

**COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008**

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? ___x___yes ___no
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____yes ___x___no

Compliance:

• Noncompliance material to financial statements noted? _____yes ___x___no

OMB Circular A-133

Internal control over major programs:

- Material weakness(es) identified? _____yes ___x___no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____yes ___x___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 ___x___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 ___x___no

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 08-1

▪ *Criteria or specific requirements*

Generally accepted accounting principles require that compensated absences be accounted for on the accrual basis. Accordingly, a liability for amounts to be paid as a result of employees' rights to compensated absences should be accrued, considering anticipated forfeitures, in the year in which earned.

▪ *Condition*

It is the Organization's policy that vacation must be used within 13 months from the employee's anniversary date or approval must be obtained from the Executive Director to use it at a later time. As a result, there are employees with earned, unpaid vacation at fiscal year-end. The Organization does pay out earned vacation to employees when they leave the Organization, thus there are no forfeitures as a result of termination. The Organization does track earned, unpaid vacation; however, it has not been posting an accrual at year-end.

▪ *Context*

It was determined through obtaining an understanding of the Organization's vacation policy and financial statement close process that earned, unpaid vacation exists at fiscal year-end; however, an accrual has not been posted. This resulted in a prior year audit adjustment totaling \$18,027 to reduce beginning net assets for the year ended June 30, 2007. This reflects an increase of payroll expense and payroll liabilities. The financial statements have been adjusted to reflect additional payroll accruals of \$11,994 and \$17,303 at June 30, 2008 and 2007, respectively.

▪ *Effect*

The Organization's payroll liability and related salaries expense do not reflect compensated absences in the period in which they are earned.

▪ *Cause*

The cause of this condition appears to be simply oversight.

▪ *Recommendation*

It is recommended that management include a procedure to accrue for earned, unpaid vacation as part of the year-end financial closing process to ensure that payroll liabilities are recognized in the proper period.

▪ *Managements Response*

Management will implement a procedure to accrue for earned and unpaid vacation time as part of the year end closing procedures. The new procedure will insure that payroll liabilities are recognized in the correct period.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- None

COMMUNITY ADDICTION SERVICES OF INDIANA, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2008

Single Audit Findings for Fiscal Year Ended June 30, 2007

Program SAPT Block Grant

CFDA Number 93.9595

Finding Number 2007-1

Comment **Resolved by the Auditee**

Periodic reviews of paid invoices were performed by the Director of Finance to verify that approvals were documented in accordance with the Organization's policy for the Executive Director to initial each invoice and sign the checks.