

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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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

Report on the Financial Statements

We have audited the accompanying financial statements of Baton Rouge Area Alcohol and Drug Center, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Baton Rouge Area Alcohol and Drug Center, Inc. as of June 30, 2013 and 2012 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2013, on our consideration of Baton Rouge Area Alcohol and Drug Center, Inc.'s internal control over financial reporting and on 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* in considering Baton Rouge Area Alcohol and Drug Center, Inc.'s internal control over financial reporting and compliance.

Daisieport & Brian apac

Baton Rouge, Louisiana
December 24, 2013

BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current Assets		
Cash	\$ 250,731	\$ 251,669
Accounts receivable	<u>270,618</u>	<u>188,995</u>
Total Current Assets	521,349	440,664
Property, plant and equipment (net)	<u>2,051,881</u>	<u>477,749</u>
Other Assets		
Deposits	<u>5,000</u>	<u>-</u>
Total Assets	<u>\$ 2,578,230</u>	<u>\$ 918,413</u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable and other current liabilities	\$ 5,774	\$ 13,926
Payroll liabilities	34,879	2,013
Accrued liabilities	11,966	18,672
Current portion of long term debt	39,233	3,132
Refundable advance	<u>160,000</u>	<u>160,000</u>
Total Current Liabilities	251,852	197,743
Long term debt, net of current portion	<u>1,247,590</u>	<u>9,240</u>
Total Liabilities	1,499,442	206,983
<u>Net Assets</u>		
Unrestricted net assets	1,008,788	691,430
Temporarily restricted net assets	<u>70,000</u>	<u>20,000</u>
Total Net Assets	1,078,788	711,430
Total Liabilities and Net Assets	<u>\$ 2,578,230</u>	<u>\$ 918,413</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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues</u>			
Grants and contracts			
Capital Area Human Services District	\$ 641,980	\$ -	\$ 641,980
City of Baton Rouge/Parish of East Baton Rouge	312,000	-	312,000
United Way	128,266	-	128,266
Access to Recovery	25,942	-	25,942
Housing Opportunity for Persons with Aids	279,867	-	279,867
Ryan White Program	34,556	-	34,556
Donations and contributions	150,497	50,000	200,497
Client generated revenue	187,709	-	187,709
Client fund revenue	2,180	-	2,180
Total Revenues	<u>\$ 1,762,997</u>	<u>\$ 50,000</u>	<u>\$ 1,812,997</u>
<u>Expenses</u>			
Program service	1,129,348	-	1,129,348
Management and general	<u>316,291</u>	<u>-</u>	<u>316,291</u>
Total expenses	<u>1,445,639</u>	<u>-</u>	<u>1,445,639</u>
Change in net assets	317,358	50,000	367,358
Net Assets – beginning of year	691,430	20,000	711,430
Net Assets – end of year	<u>\$ 1,008,788</u>	<u>\$ 70,000</u>	<u>\$ 1,078,788</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
Client generated revenue	22,370	-	22,370
Client fund revenue	2,564	-	2,564
Loss on disposal of asset	(2,907)	-	(2,907)
Net assets released from restrictions	4,525	(4,525)	-
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	316,701	-	316,701
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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Accounting	\$ -	\$ 14,867	\$ 14,867
Advertising and dues	4,794	1,773	6,567
Auto maintenance	3,998	1,479	5,477
Communications	4,604	1,703	6,307
Depreciation	9,883	3,656	13,539
Food services	174,573	-	174,573
Insurance – general	29,291	10,834	40,125
Insurance – health	11,864	4,388	16,252
Insurance – workers comp	9,816	3,631	13,447
Interest	50,931	18,838	69,769
Laundry	16,160	-	16,160
License fees	743	274	1,017
Maintenance and repairs	8,789	3,251	12,040
Miscellaneous	2,212	818	3,030
Payroll taxes	41,419	15,319	56,738
Printing and office expense	16,357	6,050	22,407
Professional expense	79,842	-	79,842
Property tax	6,486	2,399	8,885
Rent and occupancy	36,834	13,624	50,458
Salaries and wages	567,611	209,938	777,549
Supplies – building and general	9,259	3,424	12,683
Supplies – food and medical	43,808	-	43,808
Travel	74	25	99
	<u>\$ 1,129,348</u>	<u>\$ 316,291</u>	<u>\$ 1,445,639</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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 367,358	\$ 325,654
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,539	12,122
Loss on disposal of property	-	2,907
Increase in accounts receivable	(81,623)	(81,684)
Increase in other assets	(5,000)	-
Increase (decrease) in accounts payable and other current liabilities	(8,151)	127
Increase (decrease) in accrued liabilities	<u>26,159</u>	<u>(51,857)</u>
Net cash provided by operating activities	312,282	207,269
 <u>Cash Flows From Investing Activities</u>		
Cash payments from purchase of property	(1,587,671)	(25,000)
Cash proceeds from the sale of property	-	8,050
Net cash used in investing activities	<u>(1,587,671)</u>	<u>(16,950)</u>
 <u>Cash Flows From Financing Activities</u>		
Principal payments on long term debt	(45,549)	(19,022)
Principal payments on short term debt	-	(16,559)
Proceeds from issuance of long-term debt	<u>1,320,000</u>	<u>-</u>
Net cash provided by (used in) financing activities	1,274,451	(35,581)
 Increase (decrease) in Cash and Cash Equivalents	(938)	154,738
Cash and cash equivalents, beginning of year	<u>251,669</u>	<u>96,931</u>
Cash and cash equivalents, end of year	<u>\$ 250,731</u>	<u>\$ 251,669</u>
 Supplemental disclosure – cash paid for interest	<u>\$ 69,769</u>	<u>\$ 1,847</u>

See accompanying notes and auditors' report.

BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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. Beginning in the year ended June 30, 2013 the Organization began accepting Medicaid as payment for services.

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, 2013 AND 2012

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 Tax

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

The Organization accounts for income taxes in accordance with FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes it has no material uncertain tax positions and, accordingly has not recognized a liability for any unrecognized tax benefits. The Organization's open audit periods are 2009 through 2012.

Advertising

Baton Rouge Area Alcohol and Drug Center, Inc. expenses its advertising costs as incurred. Advertising expense was \$6,567 and \$724 for the years ended June 30, 2013 and 2012, respectively.

Subsequent Events

The Organization has evaluated subsequent events through December 24, 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:

Building and improvements	37.5 years
Furniture and equipment	5 - 7 years
Vehicles	5 years

Property and equipment consists of the following:

	<u>2013</u>	<u>2012</u>
Buildings and improvements	\$ 1,737,958	\$ 153,251
Furniture and equipment	71,168	68,204
Vehicles	38,949	38,949
Land	<u>315,279</u>	<u>315,279</u>
	2,163,354	575,683
Accumulated depreciation	<u>(111,473)</u>	<u>(97,934)</u>
	<u>\$ 2,051,881</u>	<u>\$ 477,749</u>

As of June 30, 2013, the building has not been placed in service. There will need to be extensive renovations to meet the criteria required by inspectors. The renovations began in December of 2013 and are predicted to finish in April of 2014.

BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

3. Notes Payable

Long term notes payable consists of the following:	2013	2012
Note dated July 26, 2012 with an original balance of \$1,320,000, due in monthly payments of \$9,255 on the 26 th of the month with an interest rate of 5.65% and is secured by real property.	\$ 1,286,823	\$ -
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.	-	12,372
	1,286,823	12,372
Less current installments	(39,233)	(3,132)
	\$ 1,247,590	\$ 9,240

Maturities of long term notes payable are as follows:

2014	39,233
2015	41,514
2016	43,741
2017	46,469
2018	49,170
Thereafter	1,066,696
	\$ 1,286,823

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, 2013 and 2012 the Organization had \$0 and \$0 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. On December 4, 2013 the Organization satisfied its obligation on the remaining \$160,000 by transferring the land to the City of Baton Rouge/Parish of East Baton Rouge.

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, 2013 and 2012 is \$11,966 and \$18,672, respectively.

BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, 2013 and 2012 the rent and occupancy was valued at \$40,189 and \$26,941, respectively, and repairs and maintenance were valued at \$2,287 and \$2,031, 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 \$87,675 and \$8,825 for the years ended June 30, 2013 and 2012, respectively.

7. Concentrations

For the year ending June 30, 2013 approximately 35 %, 15%, and 24% 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 48%, 28%, and 24% 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, 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 32%, 32%, 19% and 16% of accounts receivable are from the Capital Area Human Service District, Medicaid, 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, 2013 were approximately \$10,856. 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, 2013 and 2012 are available for the following purposes.

	<u>2013</u>	<u>2012</u>
Renovation support for South Foster building	\$ 50,000	\$ -
Equipment and technology improvements	<u>20,000</u>	<u>20,000</u>
	<u>\$ 70,000</u>	<u>\$ 20,000</u>

9. Related Party Transactions

During the year ended June 30, 2012 the Center paid the immediate past president \$7,700 to provide temporary consulting and other services related to personnel management.

10. Subsequent Event

In December 2013 the Organization transferred land carried at a cost of \$315,279 to the City of Baton Rouge/Parish of East Baton Rouge. The purpose of the transfer was to satisfy an obligation to repay \$160,000 in Community Development Block Grant funds. For more information see Footnote 4.

**BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<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	\$ 25,942
Subtotal Department of Health and Human Services direct programs			<u>25,942</u>
Pass-through programs from:			
Capital Area Human Services District			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	SA50015 & SA50025	641,980
City of Baton Rouge-Parish of East Baton Rouge Office of Community Development			
HIV Emergency Relief Project Grants	93.914	N/A	<u>34,556</u>
Subtotal Department of Health and Human Services pass-through programs			<u>676,536</u>
Total U.S Department of Health and Human Services			702,478
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	<u>279,867</u>
Total Department of Housing and Urban Development pass-through programs			<u>279,867</u>
Total expenditures of federal awards			\$ 982,345

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, 2013

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, 2013. 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

INDEPENDENT AUDITORS' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Baton Rouge Area Alcohol and Drug Center, Inc., (a non-profit organization), which comprise the statement of financial position as of June 30, 2013 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 24, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Baton Rouge Area Alcohol and Drug Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Baton Rouge Area Alcohol and Drug Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness. This instance is reported as finding 2013-1.

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*.

Baton Rouge Area Alcohol and Drug Center, Inc.'s Response to Findings

Baton Rouge Area Alcohol and Drug Center, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Baton Rouge Area Alcohol and Drug Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

Purpose of this Report

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

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.

Daigrepont & Brian apac

Baton Rouge, Louisiana
December 24, 2013

DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

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

Report on Compliance for Each Major Federal Program

We have audited 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, 2013. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Baton Rouge Area Alcohol and Drug Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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.

Opinion on Each Major Federal Program

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, 2013.

Report on 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 the types of compliance requirements referred to above. In planning and performing our audit of compliance, 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 for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be a material weakness or a significant deficiency. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness. This instance is reported as finding 2013-1. 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.

Daigneport & Brian apac

Baton Rouge, Louisiana
December 24, 2013

**BATON ROUGE AREA ALCOHOL AND DRUG CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

We have audited the financial statements of Baton Rouge Area Alcohol and Drug Center, Inc., as of June 30, 2013, and for the year then ended, and have issued our report thereon dated December 24, 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, 2013 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 2013-1 – 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:

- **Accounts Receivable and Revenue**
Our audit procedures revealed that accounts receivable on two service contracts were not recorded at year end while accounts receivable on a third service contract was overstated. Additionally, accounts receivable from Medicaid were not recorded. These adjustments caused accounts receivable and revenue to be understated by approximately \$160,000. In regards to Medicaid receivables we noticed that billings for reimbursement were approximately 6 months behind.
- **Accounts Payable**
During our audit we noticed that accounts payable had not been recorded for amounts owed but not paid at the end of the year.
- **Expenses**
As part of our audit we discovered several transactions that were incorrectly coded to either the wrong expense account or to a liability account, causing the expenses in total to be understated.

- **Financial Statement Preparation**

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.

In addition, we noticed that audit entries from the previous year were not recorded in the accounting system the result of which caused certain balances to be misstated during the year. The primary accounts affected were revenue and receivables but there were other accounts that were also incorrect.

Recommendations:

We suggest management and the finance committee review accounts receivable 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. We also recommend procedures be implemented that will allow Medicaid billings to be remitted on a monthly basis. Additionally, we suggest procedures be put in place for periodic review of account codings for proper classification.

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 and will develop procedures to improve the monitoring of receivables and revenue, as well as, expense classifications on a recurring basis. Management is currently working on procedures to get caught up with Medicaid billings.

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.

Questioned Costs

There are no questioned costs for the year ended June 30, 2013.

**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

Finding 2012-1 – Accounting Review and Financial Statement Preparation

Status: Management has corrected the cash, accounts payable, and expenses portion of this finding. The findings related to accounts receivable and the financial statements have been reclassified as part of finding 2013-1

Finding 2012-2 – Filing with the Louisiana Legislative Auditor

Status: This finding has been resolved by filing the June 30, 2013 engagement with the Louisiana Legislative Auditor within six months of the Organization's year end.

Questioned Costs

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