

PALMER DRUG ABUSE PROGRAM – SAN ANTONIO, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

Michael D. Burnett, CPA
15600 San Pedro Avenue, Suite 301
San Antonio, Texas 78232

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	7
Notes to the Financial Statements.....	8

MICHAEL D. BURNETT, CPA

A Sole Practitioner

15600 San Pedro Avenue, Suite 301
San Antonio, Texas 78232
(210) 491-9999
(210) 491-9986 (Fax)

INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees
Palmer Drug Abuse Program – San Antonio, Inc.
San Antonio, Texas

I have audited the accompanying statements of financial position of Palmer Drug Abuse Program-San Antonio, Inc. (a Texas nonprofit corporation) as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted the audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palmer Drug Abuse Program – San Antonio, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Michael D. Burnett, CPA
August 27, 2013

MEMBER
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

**PALMER DRUG ABUSE PROGRAM-
SAN ANTONIO, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012**

ASSETS

	2013	2012
Current assets:		
Cash-unrestricted	\$ 228,789	\$ 196,046
Cash-temporarily restricted	60,695	41,684
Total cash	289,484	237,730
Accounts receivable	-	4,750
Prepaid income taxes	-	987
Total current assets	289,484	243,467
Property and equipment:		
Building and improvements	65,530	65,530
Vehicles	38,828	38,828
Furniture and equipment	55,734	53,234
	160,092	157,592
Less accumulated depreciation	(97,640)	(82,676)
	62,452	74,916
Other assets:		
Certificate of deposit-designated as contingency fund	180,949	180,632
	\$ 532,885	\$ 499,015

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 1,750	\$ 1,639
Accrued expenses	28,243	20,977
Income tax payable	3,681	-
Total current liabilities	33,674	22,616
Net assets:		
Unrestricted - operations	195,114	179,167
Unrestricted - property and equipment	62,453	74,916
	257,567	254,083
Designated as contingency fund	180,949	180,632
	438,516	434,715
Temporarily restricted	60,695	41,684
	499,211	476,399
	\$ 532,885	\$ 499,015

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

**PALMER DRUG ABUSE PROGRAM-
SAN ANTONIO, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013**

	Unrestricted		Temporarily Restricted	Total
	Operations	Fixed Assets		
Public support and revenue:				
Public support:				
Contributions and grants	\$ 236,956	\$ -	\$ 115,432	\$ 352,388
United Way support	287,904	-		287,904
In-kind contributions	65,259	-	-	65,259
Support from bingo operation	(4,672)	-	-	(4,672)
Special events-net	113,919	-	-	113,919
Interest income	328	-	-	328
Other income	8,272	-	-	8,272
Total public support	<u>707,966</u>	<u>-</u>	<u>115,432</u>	<u>823,398</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	96,421	-	(96,421)	-
Total public support and revenue	<u>804,387</u>	<u>-</u>	<u>19,011</u>	<u>823,398</u>
Expenses:				
Program services	687,728	14,500	-	702,228
Supporting services:				
Management and general	71,676	421	-	72,097
Fundraising	26,219	42	-	26,261
Total expenses	<u>785,623</u>	<u>14,963</u>	<u>-</u>	<u>800,586</u>
Change in net assets	18,764	(14,963)	19,011	22,812
Net assets at beginning of year	359,799	74,916	41,684	476,399
Net interfund transfers in (out)	(2,500)	2,500	-	-
Net assets at end of year	<u>\$ 376,063</u>	<u>\$ 62,453</u>	<u>\$ 60,695</u>	<u>\$ 499,211</u>
Composition of unrestricted net assets:				
Operating	\$ 195,114			
Designated for contingency fund	<u>180,949</u>			
	<u>\$ 376,063</u>			

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of these financial statements.

**PALMER DRUG ABUSE PROGRAM-
SAN ANTONIO, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012**

	Unrestricted			Total
	Operations	Fixed Assets	Temporarily Restricted	
Public support and revenue:				
Public support:				
Contributions and grants	\$ 158,583	\$ -	\$ 113,050	\$ 271,633
United Way support	280,805	-		280,805
In-kind contributions	65,259	-	-	65,259
Support from bingo operation	13,666	-	-	13,666
Special events-net	82,082	-	-	82,082
Interest income	1,384			1,384
Other income	6,389	-	-	6,389
Total public support	608,168	-	113,050	721,218
Net assets released from restrictions:				
Restrictions satisfied by payments	159,667	-	(159,667)	-
Total public support and revenue	767,835	-	(46,617)	721,218
Expenses:				
Program services	622,261	20,155	-	642,416
Supporting services:				
Management and general	103,521	585		104,106
Fundraising	21,207	59	-	21,266
Total expenses	746,989	20,799	-	767,788
Change in net assets	20,846	(20,799)	(46,617)	(46,570)
Net assets at beginning of year	346,929	87,739	88,301	522,969
Net interfund transfers in (out)	(7,976)	7,976	-	-
Net assets at end of year	<u>\$ 359,799</u>	<u>\$ 74,916</u>	<u>\$ 41,684</u>	<u>\$ 476,399</u>
Composition of unrestricted net assets:				
Operating	\$ 179,167			
Designated for contingency fund	180,632			
	<u>\$ 359,799</u>			

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

**PALMER DRUG ABUSE PROGRAM-
SAN ANTONIO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013**

	Program	Management and General	Fundraising	Total
Salaries	\$ 443,418	\$ 45,768	\$ 10,232	\$ 499,418
Payroll taxes	35,101	3,623	810	39,534
Employee benefits	54,953	5,672	1,269	61,894
Total salaries and related expenses	533,472	55,063	12,311	600,846
Auto and auto mileage	11,236	326	33	11,595
Bank service charges	2,514	260	58	2,832
Dues and subscriptions	1,637	48	5	1,690
Insurance	14,368	1,483	332	16,183
Occupancy costs	64,837	1,882	190	66,909
Office supplies	2,701	279	62	3,042
Other	315	4,739	8,567	13,621
Postage and printing	5,650	583	130	6,363
Professional services	-	6,250	4,454	10,704
Program activities and events	21,689	-	-	21,689
Repairs and maintenance	12,874	373	38	13,285
Telephone	13,425	390	39	13,854
Training	3,010	-	-	3,010
Total expenses before depreciation	687,728	71,676	26,219	785,623
Depreciation	14,500	421	42	14,963
Total expenses	\$ 702,228	\$ 72,097	\$ 26,261	\$ 800,586
Percent of total	87.7%	9.0%	3.3%	100.0%

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

**PALMER DRUG ABUSE PROGRAM-
SAN ANTONIO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012**

	Program	Management and General	Fundraising	Total
Salaries	\$ 372,492	\$ 66,775	\$ 12,600	\$ 451,867
Payroll taxes	29,278	5,249	990	35,517
Employee benefits	53,393	9,571	1,806	64,770
Total salaries and related expenses	455,163	81,595	15,396	552,154
Auto and auto mileage	11,386	331	33	11,750
Bank service charges	2,231	400	75	2,706
Dues and subscriptions	1,384	40	4	1,428
Insurance	13,879	2,488	469	16,836
Occupancy costs	64,643	1,877	189	66,709
Office supplies	7,196	1,290	244	8,730
Other	679	3,457	2,854	6,990
Postage and printing	2,402	430	82	2,914
Professional services	75	10,665	1,765	12,505
Program activities and events	27,535	-	-	27,535
Repairs and maintenance	19,451	564	57	20,072
Telephone	13,213	384	39	13,636
Training	3,024	-	-	3,024
Total expenses before depreciation	622,261	103,521	21,207	746,989
Depreciation	20,155	585	59	20,799
Total expenses	<u>\$ 642,416</u>	<u>\$ 104,106</u>	<u>\$ 21,266</u>	<u>\$ 767,788</u>
Percent of total	83.7%	13.6%	2.8%	100.0%

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

**PALMER DRUG ABUSE PROGRAM-
SAN ANTONIO, INC.**

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 and 2012

	2013	2012
Cash flow from operating activities:		
Change in net assets	\$ 22,812	\$ (46,570)
Noncash items included in operations:		
Depreciation expense	14,963	20,799
Effect of changes in operating working capital:		
Accounts and contributions receivable	4,750	20,250
Accounts payable and accrued expenses	7,378	(4,758)
Income tax payable	4,668	(24,143)
Net cash provided (used) by operating activities	54,571	(34,422)
 Cash flows from investing activities:		
Investment in certificate of deposit designated as contingency fund	(317)	(632)
Purchase of property and equipment	(2,500)	(7,976)
Net cash used by investing activities	(2,817)	(8,608)
 Cash flow from financing activities:		
None	-	-
Net cash provided by financing activities	-	-
 Net increase (decrease) in cash	51,754	(43,030)
 Cash at beginning of year	237,730	280,760
 Cash at end of year	\$ 289,484	\$ 237,730
 Schedule of supplemental cash flow information:		
Income tax paid (related to bingo pull-tabs)	\$ 6,573	\$ 29,956

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

PALMER DRUG ABUSE PROGRAM – SAN ANTONIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 – NATURE OF ORGANIZATION

Palmer Drug Abuse Program-San Antonio, Inc. (PDAPSA) is a 12-step, faith-based nonprofit organization that offers group meetings, individual and family counseling, and fun activities that focus on healthy relationships and building life skills. In addition to recovery services for substance abuse, alcohol and drug addiction, PDAPSA provides prevention and life skills education. PDAPSA also works with students in middle schools, high schools, and alternative schools in the greater San Antonio area to help promote prevention. PDAPSA was informally established in 1977 and legally incorporated in 1981. All services provided by PDAPSA are free. Support is provided by foundations, businesses, churches, individuals, and United Way of San Antonio and Bexar County. Government funding is not accepted.

Direct recovery services are available to teenagers between the ages of 10 and 17, adults, family members of chemically dependent teenagers and adults, and adolescent siblings (ages 9-14) of chemically dependent teenagers or the children of adult addicts.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of PDAPSA have been prepared using accounting principles generally accepted in the United States of America. Accordingly the financial statements reflect all significant receivables, payables, and other liabilities and required disclosures.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board for the format of financial statements for not-for-profit organizations. PDAPSA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Donated Services

The value of the time of unpaid volunteers who have donated significant time performing certain administrative functions is not reflected in these financial statements because it does not meet the requirements of recording under United States generally accepted accounting principles.

Allocated Expenses

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and support services based on management estimates.

Income Taxes

PDAPSA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors. The organization does pay income tax on unrelated business income. Part of bingo operations includes pull-tab bingo, which is considered to be unrelated business income.

PALMER DRUG ABUSE PROGRAM – SAN ANTONIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets released from restrictions.

Cash

Cash consists of monies on deposit in bank accounts and on hand. Certificates of deposit with original maturities in excess of three months are not classified as cash, but as certificates of deposit.

Property and Equipment

PDAPSA capitalizes all expenditures for property and equipment in excess of \$750. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Depreciation is computed using the straight-line method.

Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurement. Therefore, for instruments classified in levels 1 and 2 of the hierarchy, where inputs are principally based on observable market data, there is less judgment applied in arriving at a fair value measurement. For instruments classified within level 3 of the hierarchy, judgments are more significant. PDAPSA's financial instruments and classification within the hierarchy are identified below.

Fair value of financial instruments standards require disclosure of fair value information about financial instruments, whether or not recognized in the statement for financial position. The following methods and assumptions were used by PDAPSA in estimating its fair value disclosures for financial instruments:

- Certificates of deposit (level 1): The carrying amount reported in the statement of financial position approximates fair value because of the short-term maturities of those instruments.
- Accounts receivable (level 3): The carrying amount approximates fair value because the majority of the amount receivable is due within one year.

Subsequent Events

PDAPSA has evaluated subsequent events through August 27, 2013, the date which the financial statements were available for issue.

PALMER DRUG ABUSE PROGRAM – SAN ANTONIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 3 – CREDIT RISK CONCENTRATION

Periodically, cash balances maintained at PDAPSA’s primary depository bank exceed federal deposit insurance limits. At June 30, 2013, cash balances did not exceed the insurance limits.

NOTE 4 – CERTIFICATE OF DEPOSIT DESIGNATED AS CONTINGENCY FUND

The certificate of deposit is designated by the Board of Directors of PDAPSA as a contingency fund. This certificate of deposit may not be expended without the express approval of the Board of Directors. The underlying contract expires December 30, 2013.

NOTE 5 – REVENUE AND SUPPORT CONCENTRATIONS

A. PDAPSA received support from United Way of San Antonio and Bexar County totaling \$287,904 and \$280,805 for the years ended June 30, 2013 and 2012, which represents 35% and 39% of total support and revenue for those years, respectively. The announced United Way allocation for the year ending June 30, 2014 is \$308,886.

B. Net support from the operation of bingo games totaled (\$4,672) and \$13,666 for the years ended June 30, 2013 and 2012. Effective March 31, 2013, the Organization discontinued its involvement with the bingo gaming operations.

NOTE 6 – SPECIAL EVENTS

For the years ended June 30, 2013 and 2012, PDAP sponsored a breakfast event, and the results were as follows:

	<u>2013</u>	<u>2012</u>
Total revenue	\$ 128,633	\$ 92,278
Less costs of event	<u>14,714</u>	<u>10,196</u>
	<u>\$ 113,919</u>	<u>\$ 82,082</u>

NOTE 7 – IN- KIND OCCUPANCY CONTRIBUTIONS

Space for PDAPSA’s administrative offices is made available rent-free by the Baptist Health System. Space for the day centers and group meetings is made available rent-free by various churches in the San Antonio area. For the years ended June 30, 2013 and 2012, the value of the donated space was estimated to be \$65,259.

NOTE 8 – BINGO OPERATIONS

Through March 31, 2012, PDAPSA conducted a bingo operation in San Antonio. Income from the bingo activities was generally not taxable except for “pull-tab” activities which were considered unrelated business income that was taxable. PDAPSA has provided for income tax on this revenue source.

Effective April 1, 2012, PDAPSA, along with four other charities (all registered charities with the Texas Charitable Bingo Operations Division of the Texas Lottery Commission) entered into a Unit Operating Agreement in which the charities agreed to operate a bingo unit and share proportionally in contributions and operating results generated by the bingo unit’s activity. Under this arrangement, the charities hired a unit manager to operate the bingo unit and a designated agent to handle the

PALMER DRUG ABUSE PROGRAM – SAN ANTONIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 8 – BINGO OPERATIONS (continued)

recordkeeping, reporting to the Texas Lottery Commission and other administrative aspects of the operation. The charities, including PDAPSA, remain responsible for compliance with the Texas Lottery Commission rules and regulations.

The operating results of the bingo activities for the years ended June 30, 2013 and 2012 are summarized as follows:

	2013	2012
Net revenue after prizes paid	\$ --	\$ 144,684
Operating expenses	--	(123,566)
Profit (loss) from bingo unit operation	6,569	(1,639)
Income tax on pull-tab profit	(11,241)	(5,813)
	<u>\$ (4,672)</u>	<u>\$ 13,666</u>

Effective March 31, 2013, PDAPSA discontinued participation in the unit bingo operations.

NOTE 9 – RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2013 and 2012, consisted of the following:

	2013	2012
2014 Program expenses	\$ 22,000	-
Youth leadership	1,176	\$ 1,610
Technology upgrades	500	3,000
Furniture	7,619	7,619
Eastside building	9,716	9,716
Westside building	13,585	13,585
Capital improvement to buildings	1,993	1,993
Other	4,106	4,161
	<u>\$ 60,695</u>	<u>\$ 41,684</u>

NOTE 10 – RETIREMENT PLAN

PDAPSA sponsors a SIMPLE retirement plan for all employees who meet plan requirements. PDAPSA matches participant contributions up to 3% of compensation. The employer contribution totaled \$3,540 for each of the years ended June 30, 2013 and 2012.