



BERBERICH TRAHAN & CO., P.A.

*Certified Public Accountants*

DCCCA, INC.

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FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2012

DCCCA, INC.

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

Year Ended June 30, 2012

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BERBERICH TRAHAN & CO., P.A.  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
DCCCA, Inc.

We have audited the accompanying statement of financial position of DCCCA, Inc. as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of DCCCA, 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 DCCCA, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012 on our consideration of DCCCA, Inc.'s internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedules listed in the accompanying table of contents, including the schedule of expenditures of federal awards as required by OMB Circular A-133, are presented for purposes of additional analysis and are 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.

*Berberich Trahan & Co., P.A.*

November 27, 2012

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DCCCA, INC.

Statement of Financial Position

June 30, 2012

Assets

Current assets:

Cash and cash equivalents	\$ 1,443,065
Short-term investments	3,225,992
Accounts receivable:	
Grants and contracts (net of allowance for doubtful accounts of \$92,330)	2,041,375
Client and Medicaid (net of allowance for doubtful accounts of \$18,826)	69,058
Accrued interest	77,622
Prepaid expenses	158,982
Current portion of long-term notes receivable	<u>36,425</u>
Total current assets	<u>7,052,519</u>

Long-term notes receivable	325,591
Long-term restricted investments	121,769
Long-term investments	24,834,110
Property held for investment	709,858

Property and equipment:

Buildings	9,180,352
Leasehold improvements	75,175
Furniture, fixtures and equipment	1,181,091

Less accumulated depreciation (5,499,163)

Land 4,113,809

Net property and equipment 9,051,264

Total assets \$42,095,111

The accompanying notes are an integral part of these financial statements

DCCCA, INC.

Statement of Financial Position

June 30, 2012

(Continued)

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 394,885
Accrued expenses	872,960
Deferred revenue	<u>1,638,521</u>
Total current liabilities	2,906,366
Long-term accrued expenses	<u>543,240</u>
Total liabilities	<u>3,449,606</u>
Net assets:	
Unrestricted:	
Undesignated	13,790,152
Board designated	24,834,110
Temporarily restricted	<u>21,243</u>
Total net assets	<u>38,645,505</u>
Total liabilities and net assets	<u>\$42,095,111</u>

The accompanying notes are an integral part of these financial statements

**DCCCA, INC.**

Statement of Activities  
Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Changes in net assets:			
Revenues and support:			
Program fees	\$ 7,252,402	-	\$ 7,252,402
Contracts	6,786,624	-	6,786,624
Grants	4,244,202	-	4,244,202
Net investment and interest income	420,780	-	420,780
Rental income	397,208	-	397,208
Other	142,310	-	142,310
Net gain on sale of assets	128,325	-	128,325
Contributions	99,564	\$36,835	136,399
Net assets released from restriction	<u>15,592</u>	<u>(15,592)</u>	<u>-</u>
 Total revenues and support	 <u>19,487,007</u>	 <u>21,243</u>	 <u>19,508,250</u>
Expenses:			
Program:			
Prevention	9,966,190	-	9,966,190
Intervention	5,659,184	-	5,659,184
Operations	<u>1,017,776</u>	<u>-</u>	<u>1,017,776</u>
Total program expenses	16,643,150	-	16,643,150
Management and general	<u>2,381,553</u>	<u>-</u>	<u>2,381,553</u>
 Total expenses	 <u>19,024,703</u>	 <u>-</u>	 <u>19,024,703</u>
 Increase in net assets	 462,304	 21,243	 483,547
 Net assets, beginning of year	 <u>38,161,958</u>	 <u>-</u>	 <u>38,161,958</u>
 Net assets, end of year	 <u>\$38,624,262</u>	 <u>\$21,243</u>	 <u>\$38,645,505</u>

The accompanying notes are an integral part of these financial statements

DCCCA, INC.

Statement of Cash Flows  
Year Ended June 30, 2012

Cash flows from operating activities:	
Change in net assets	\$ 483,547
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	595,435
Gain on disposal of property and equipment	(128,325)
Change in fair value of investments	261,931
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	130,301
Accrued interest	12,213
Prepaid expenses	90,581
Increase (decrease) in:	
Accounts payable	(47,402)
Accrued expenses	(389,840)
Deferred revenue	<u>159,544</u>
Net cash provided by operating activities	<u>1,167,985</u>
Cash flows from investing activities:	
Purchases of investments	(13,131,948)
Principal payments on notes receivable	22,219
Proceeds from sale of investments	11,018,568
Purchases of property and equipment	(223,116)
Proceeds from disposal of property and equipment	<u>502,000</u>
Net cash used by investing activities	<u>(1,812,277)</u>
Net decrease in cash and cash equivalents	(644,292)
Cash and cash equivalents, beginning of year	<u>2,087,357</u>
Cash and cash equivalents, end of year	<u>\$1,443,065</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:	
Note receivable accepted for sale of building	<u>\$ 80,372</u>

The accompanying notes are an integral part of these financial statements

## DCCCA, INC.

### Notes to the Financial Statements

June 30, 2012

#### 1. Organization and Summary of Significant Accounting Policies

##### Organization

DCCCA, Inc. (DCCCA) was organized in Kansas in 1974 as a nonprofit corporation for the purpose of providing leadership and coordination in reducing the incidence and prevalence of alcohol and drug abuse and associated conditions in families and individuals.

DCCCA approaches this widespread problem by using a variety of prevention and intervention techniques. In order to accomplish its mission, DCCCA understands that it must consider the full spectrum of causal agents that contribute to abusive lifestyles. It is imperative that DCCCA addresses the total person as they relate to their environment, and to provide services in a variety of social service modalities to reach the target population.

##### Basis of Presentation

DCCCA's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of DCCCA and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of DCCCA and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the assets be maintained permanently by DCCCA. Generally, the donors of the assets permit DCCCA to use all or part of the income earned on related investments for general or specific purposes.

At June 30, 2012, DCCCA had no permanently restricted net assets.

##### Grants and Contracts

Monies from grants or contracts, restricted to specific purposes, are deemed to be earned and are reported as revenues when DCCCA has incurred expenditures in compliance with the program requirements and objectives. Amounts received, but not yet earned, are reported as deferred revenue on the statement of financial position.

DCCCA receives significant federal financial assistance passed through state and local agencies in the form of grants and contracts. The disbursement of funds received under these awards generally requires compliance with terms and conditions as specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of DCCCA. However, in the opinion of management, any such disallowed claims will not have a material effect on DCCCA's financial position.



DCCCA, INC.

Notes to the Financial Statements

June 30, 2012

(Continued)

1. **Organization and Summary of Significant Accounting Policies** (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, DCCCA considers all short-term investments with an original maturity of three months or less to be cash equivalents. DCCCA made no cash payments for income taxes or interest during the year ended June 30, 2012.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on balances outstanding at year-end. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Investments

DCCCA's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Cash accounts and certificates of deposit are recorded at cost since they are not affected by market rate changes. Unrealized changes in fair values are included in the change in net assets. Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk.

DCCCA invests in certificates of deposit, brokered certificates of deposit, treasury bonds, corporate bonds, common stock, mutual funds and exchange traded funds.

Property and Equipment

Property and equipment, except for property held for investment, are stated at cost. Assets with a cost greater than \$ 2,000 are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which vary from two to ten years for leasehold improvements and furniture, fixtures and equipment, and two to forty years for buildings and building improvements. Property held for investment is stated at the lower of cost or market.

Maintenance, repairs and minor renewals are expensed as incurred, while expenditures for major additions and improvements are capitalized. When assets are disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized.

## DCCCA, INC.

### Notes to the Financial Statements

June 30, 2012

(Continued)

#### 1. Organization and Summary of Significant Accounting Policies (Continued)

##### Accrued Vacation and Sick Pay

Employees are granted vacation and sick leave in varying amounts, based on length of service. In the event of termination or separation, an employee is paid for all accumulated vacation. If years of service and other qualifications are met, the employee is paid for accrued sick pay. It is the policy of DCCCA to record both vacation pay and qualified sick pay as an expense as it is earned. The amount of earned but unused accumulated vacation pay and qualified sick pay is included in accrued expenses on the statement of financial position.

##### Contributions

Contributions received are measured at fair value and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated by the donor as support for future periods. When the donor restriction expires, either due to time or because the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of DCCCA are recorded as permanently restricted net assets. Contributions whose restrictions are met in the same period are reported as unrestricted support.

##### Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Internally, management allocates a significant portion of management and general expenses and operations to program activities.

##### Tax-Exempt Status

DCCCA has received a determination letter from the Internal Revenue Service stating that it is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Kansas recognizes IRS determinations. DCCCA has not been classified as a private foundation.

DCCCA, INC.

Notes to the Financial Statements

June 30, 2012

(Continued)

1. Organization and Summary of Significant Accounting Policies (Continued)

Tax-Exempt Status (Continued)

DCCCA files a Form 990 (Return of Organization Exempt from Income Tax) annually. When this return is filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to not for profit organizations include such matters as the following: the tax exempt status of the entity and the nature, characterization and taxability of various positions relative to potential sources of unrelated business taxable income. Unrelated business taxable income is reported on Form 990T, as appropriate. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the “more likely than not” recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for uncertain tax benefits in the accompanying statements of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of June 30, 2012, there were no uncertain tax benefits identified and recorded as a liability.

Forms 990 and 990T filed by DCCCA are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990T filed by DCCCA are no longer subject to examination for the fiscal years ended 2008 and prior.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DCCCA, INC.

Notes to the Financial Statements

June 30, 2012

(Continued)

1. Organization and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In January 2010, FASB issued an amendment, "Fair Value Measurements and Disclosures-Improving Disclosures about Fair Value Measurement" ASU 2010-06, which requires new disclosures and reasons for transfers of financial assets and liabilities between Levels 1 and 2. This amendment also clarifies that fair value measurements and disclosures are required for each class of financial assets and liabilities, and those disclosures should include a discussion of inputs and valuation techniques. It further clarifies that the reconciliation of Level 3 measurements should separately present purchases, sales, issuances, and settlements instead of netting these changes. With respect to matters other than Level 3 measurements, the amendment was effective for periods beginning on or after December 15, 2009 and DCCCA implemented the amendment for the year ended December 31, 2010. The guidance related to Level 3 measurements is effective for periods beginning on or after December 15, 2010. See Note 3 for impact of adoption.

In May 2011, the FASB issued ASU 2011-04 which updated accounting guidance related to fair value measurements and disclosures that result in common fair value measurements and disclosures between U.S. GAAP and International Financial Reporting Standards. This guidance includes amendments that clarify the application of existing fair value measurement requirements, in addition to other amendments that change principles or requirements for measuring fair value and for disclosing information about fair value measurements. This guidance is effective for annual periods beginning after December 15, 2011. DCCCA is currently evaluating the impact of adoption on its financial statements.

**DCCCA, INC.**

Notes to the Financial Statements

June 30, 2012

(Continued)

**2. Investments**

Short-term investments at June 30, 2012 are stated at fair value and are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
<b>Time deposits</b>		
Certificates of deposit	\$1,670,400	\$1,670,400
<b>Bonds - treasury</b>		
AA Credit Rating	276,306	270,561
A Credit Rating	32,275	30,120
<b>Bonds – corporate</b>		
AA credit rating	97,220	95,398
A credit rating	733,520	718,479
BBB credit rating	20,674	20,799
<b>Mutual funds</b>		
Institutional money market	<u>420,235</u>	<u>420,235</u>
	<u>\$3,250,630</u>	<u>\$3,225,992</u>

The following schedule summarizes the investment return for short-term investments and its classification in the statement of activities for the year ended June 30, 2012.

	<u>Unrestricted</u>
Interest and dividend income and realized gains	\$67,411
Investment fees	(9,618)
Change in fair value of investments	<u>(20,892)</u>
	<u>\$36,901</u>

**DCCCA, INC.**

Notes to the Financial Statements

June 30, 2012

(Continued)

**2. Investments (Continued)**

Long-term investments at June 30, 2012 are stated at fair value and are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
<b>Cash</b>	\$ 3,489	\$ 3,489
<b>Bonds – treasury</b>		
AA credit rating	709,990	732,100
A credit rating	101,348	100,401
Non rated	2,620,247	2,755,693
<b>Bonds - corporate</b>		
AA credit rating	464,287	469,229
A credit rating	1,345,962	1,393,368
<b>Common stock</b>		
Consumer discretionary sector	966,761	1,064,165
Consumer staples sector	1,069,649	1,199,427
Energy sector	929,313	1,057,415
Financials sector	854,037	839,529
Healthcare sector	919,479	1,122,237
Industrials sector	643,418	708,695
Information technology sector	1,385,944	1,688,073
Materials sector	495,857	515,148
Telecommunication services	291,797	337,614
Utility sector	163,272	181,408
<b>Mutual funds – equity</b>		
Institutional money market	1,507,381	1,507,381
Large cap growth	239,243	254,414
Large cap blend	338,623	376,643
Mid cap growth	123,909	153,767
Mid cap value	55,647	63,018
Small cap blend	618,581	788,870
Indexed	489,362	634,611
International	197,205	202,979
Global	257,016	266,085
<b>Mutual funds – alternative</b>		
Commodities	297,380	360,817

DCCCA, INC.

Notes to the Financial Statements

June 30, 2012

(Continued)

2. Investments (Continued)

	<u>Cost</u>	<u>Fair Value</u>
<b>Mutual funds – bonds</b>		
Fixed income short term	\$ 640,000	\$ 642,381
Fixed income intermediate	1,780,697	2,014,269
International	645,000	658,267
<b>Exchange traded funds – equity</b>		
Consumer staples sector	88,391	111,959
Energy sector	189,200	192,774
Information technology sector	39,964	56,301
Utility sector	68,613	81,378
Large cap blend	108,314	119,910
Mid cap blend	640,144	730,086
International	93,204	80,199
Emerging markets	609,061	558,800
<b>Exchange traded funds – bonds</b>		
Fixed income intermediate	92,124	100,170
Inflation protection	325,400	351,918
Emerging markets	<u>497,416</u>	<u>480,891</u>
Total investments	<u>\$22,906,725</u>	<u>\$24,955,879</u>

The following schedule summarizes the investment return for long-term investments and its classification in the statement of activities for the year ended June 30, 2012.

	<u>Unrestricted</u>
Interest and dividend income and realized gains/losses	\$ 715,818
Investment fees	(100,680)
Change in fair value of investments	<u>(241,039)</u>
	<u>\$ 374,099</u>

## DCCCA, INC.

### Notes to the Financial Statements

June 30, 2012

(Continued)

### 3. Fair Value Measurements

The disclosure provisions of the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 820) establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- |         |  |
|---------|--|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;                              |
| Level 2 | Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly; |
| Level 3 | Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.   |

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2012.

*Treasury bonds:* Valued by the vendor using various methodologies for different types of fixed income. These include broker feeds and electronic communication networks.

*Corporate bonds:* Valued by the vendor using various methodologies for different types of fixed income. These include the multi-dimensional relational mode and the option adjusted spread.

*Common stocks, mutual funds and exchange traded funds:* Valued by quoted market prices and other relevant information generated by market transactions.

*Property held for investment:* Valued using a real estate appraisal last conducted in June 2009.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although DCCCA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.



**DCCCA, INC.**

Notes to the Financial Statements

June 30, 2012

(Continued)

**3. Fair Value Measurements (Continued)**

Fair values of assets measured on a recurring basis at June 30, 2012 are as follows:

<u>Description</u>	<u>Fair Value Measurements at Reporting Date</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Bonds - treasury</b>				
AA credit rating	\$1,002,661		\$1,002,661	
A credit rating	130,521		130,521	
Non rated	2,755,693		2,755,693	
<b>Bonds - corporate</b>				
AA credit rating	564,627		564,627	
A credit rating	2,111,847		2,111,847	
BBB credit rating	20,799		20,799	
<b>Common stock</b>				
Consumer discretionary sector	1,064,165	\$1,064,165		
Consumer staples sector	1,199,427	1,199,427		
Energy sector	1,057,415	1,057,415		
Financials sector	839,529	839,529		
Healthcare sector	1,122,237	1,122,237		
Industrials sector	708,695	708,695		
Information technology sector	1,688,073	1,688,073		
Materials sector	515,148	515,148		
Telecommunication services sector	337,614	337,614		
Utility sector	181,408	181,408		
<b>Mutual funds –equity</b>				
Institutional money market	1,927,616	1,927,616		
Large cap growth	254,414	254,414		
Large cap blend	376,643	376,643		
Mid cap growth	153,767	153,767		
Mid cap value	63,018	63,018		
Small cap blend	788,870	788,870		
Indexed	634,611	634,611		
International	202,979	202,979		
Global	266,085	266,085		

**DCCCA, INC.**

Notes to the Financial Statements

June 30, 2012

(Continued)

3. **Fair Value Measurements** (Continued)

<u>Description</u>	<u>Fair Value Measurements at Reporting Date</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Mutual funds – alternative</b>				
Commodities	\$ 360,817	\$ 360,817		
<b>Mutual funds – bonds</b>				
Fixed income short term	642,381	642,381		
Fixed income intermediate	2,014,269	2,014,269		
International	658,267	658,267		
<b>Exchange traded funds – equity</b>				
Consumer staples sector	111,959	111,959		
Energy sector	192,774	192,774		
Information technology sector	56,301	56,301		
Utility sector	81,378	81,378		
Large cap blend	119,910	119,910		
Mid cap blend	730,086	730,086		
International	80,199	80,199		
Emerging markets	558,800	558,800		
<b>Exchange traded funds – bonds</b>				
Fixed income intermediate	100,170	100,170		
Inflation protection	351,918	351,918		
Emerging markets	<u>480,891</u>	<u>480,891</u>		
Total investments	<u>\$26,507,982</u>	<u>\$19,921,834</u>	<u>\$6,586,148</u>	<u>\$ -</u>

**DCCCA, INC.**

Notes to the Financial Statements

June 30, 2012

(Continued)

**3. Fair Value Measurements (Continued)**

Fair values of assets measured on a nonrecurring basis at June 30, 2012 are as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Property held for investment	<u>\$ 709,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 709,858</u>

There were no significant transfers between levels during the year. DCCCA's policy is to only recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the fair value inputs are not recognized.

The following table presents a reconciliation of assets measured at fair value using significant unobservable inputs (Level 3 assets):

	<u>Property Held for Investment</u>
Balance, July 1, 2011	\$ 709,858
Unrealized and realized gains (losses)	<u>-</u>
Balance, June 30, 2012	<u>\$ 709,858</u>

**4. Leases**

DCCCA has entered into various operating leases for program facilities that include leases that are either renegotiated annually or are on a month-to-month basis, as well as agreements with lease terms in excess of one year. The agreements contain provisions that the facility leases may be terminated with prior written notice if certain funding sources are not renewed. During the year ended June 30, 2012, rent expense for these leases was \$127,715.

DCCCA, INC.

Notes to the Financial Statements

June 30, 2012

(Continued)

4. Leases (Continued)

The following is a schedule of future minimum lease payments required under the operating leases with initial or remaining lease terms in excess of one year as of June 30, 2012:

Year Ended June 30,

2013

\$9,070

5. Financial Instruments and Concentrations

Information regarding financial instruments and concentrations follows:

Deposits

DCCCA maintains its deposits at various financial institutions. Deposits include bank balances of \$1,539,471, \$1,344,913 of which is invested in governmental security-backed money market mutual funds with several local financial institutions, which are not insured by the Federal Deposit Insurance Corporation (FDIC), and are, therefore, subject to market risk. DCCCA has security for their deposits through the FDIC in the amount of \$194,558.

Accounts Receivable

DCCCA's outpatient treatment clients are primarily located in eastern Kansas. Concentration risk is limited, however, because of the large number of clients comprising DCCCA's client base and because most clients are insured under third-party agreements. The net amount receivable at June 30, 2012, from clients and third-party payers totaled \$69,058.

Revenues and Support

Substantially all of DCCCA's revenue and support is received from various federal and state governmental agencies in the form of grants or contracts. DCCCA's three largest governmental funding sources accounted for approximately 60% of DCCCA's total revenue and support for the year ended June 30, 2012 and 59% of the net accounts receivable from grants and contracts of \$2,041,375 at June 30, 2012. Concentration risk is considered limited, however, because of the number of grants and contracts received.

## DCCCA, INC.

### Notes to the Financial Statements

June 30, 2012

(Continued)

#### 6. Notes Receivable

DCCCA entered into a contract with a third party in August 2007 to sell real estate for \$440,000. The contract was finalized in May 2008 and in addition to the cash down payment received, DCCCA accepted a sixty month note receivable for \$396,000 with a stated interest rate of 7.5 percent. Principal and interest payments totaling \$16,385 and \$16,732, respectively, were received for the year ended June 30, 2012. At June 30, 2012 the outstanding balance on the note receivable is \$215,478.

DCCCA entered into a contract with a third party in May 2011 to sell real estate for \$80,000. The contract was finalized in June 2011 and in addition to the cash down payment received, DCCCA accepted a ten year note receivable for \$72,000 with a stated interest rate of 6 percent. Principal and interest payments totaling \$4,677 and \$4,116, respectively, were received for the year ended June 30, 2012. At June 30, 2012 the outstanding balance on the note receivable is \$67,323.

DCCCA entered into a contract with a third party in March 2012 to sell real estate for \$400,000. The contract was finalized in May 2012 and in addition to the cash down payment received, DCCCA accepted a five year note receivable for \$80,372 with a stated interest rate of 6 percent. Principal and interest payments totaling \$1,157 and \$396, respectively, were received for the year ended June 30, 2012. At June 30, 2012 the outstanding balance on the note receivable is \$79,215.

#### 7. Deferred Compensation

DCCCA, Inc. has established a deferred compensation plan for an employee. At June 30, 2012, funds have been set aside in the amount of \$121,769 for this agreement. The employee is fully vested. This amount is included in long-term accrued expenses on the statement of financial position. The investments are in various fixed income mutual funds and are shown as restricted long-term investments on the statement of financial position.

#### 8. Board Designated Net Assets

DCCCA's Board of Directors (Board) has designated net assets of \$24,834,110 to be disbursed only at Board request. Principal disbursements of these net assets shall be used only for special projects outside of normal operating expenses, or for operating expenses when other sources are insufficient to meet said expenses. Distributions of accumulated income must be made pursuant to resolution adopted by the Board.

DCCCA, INC.

Notes to the Financial Statements

June 30, 2012

(Continued)

9. **Retirement Plan**

DCCCA has a 403(b) retirement plan available to all employees. The plan allows participants to make pretax contributions, and DCCCA, at the option of the Board of Directors, may match certain percentages of employee contributions. All amounts contributed to the plan are deposited in a trust fund with a financial institution and administered by independent trustees. The net expense recorded by DCCCA for the year ended June 30, 2012 was \$109,585.

10. **Accrued Employee Benefits**

DCCCA's employee health insurance plan is a partially self-funded plan, with current individual and aggregate stop loss insurance coverage in the amount of \$100,000 and \$1,014,036, respectively. The liability for claims incurred but not yet paid has been estimated to be approximately \$43,506 as of June 30, 2012 and has been recorded in the statement of financial position as an accrued expense.

11. **Temporarily Restricted Net Assets**

Temporarily restricted net assets of \$21,243 for the SAFE program were available at June 30, 2012. Temporarily restricted net assets of \$15,592 were released from restriction for the SAFE program for the year ended June 30, 2012.

12. **Subsequent events**

DCCCA has evaluated subsequent events through the date of the independent auditor's report which is the date the financial statements are available to be issued.

**SUPPLEMENTARY INFORMATION**

**DCCCA, INC.**

Statement of Functional Expenses  
Year Ended June 30, 2012

	Prevention Services	Intervention Services	Operations Services	Management and General	Total
Salaries, payroll taxes and benefits	\$ 5,102,927	\$4,086,821	\$352,947	\$2,059,345	\$11,602,040
Child placement	2,825,935	-	-	-	2,825,935
Program supplies and materials	495,037	636,269	11,132	25,912	1,168,350
Facility	204,622	329,048	257,086	55,985	846,741
Consulting and contractual services	359,575	139,146	70,187	36,693	605,601
Depreciation	153,139	199,458	181,800	61,038	595,435
Travel and automobile	463,717	66,644	21,294	15,463	567,118
Telephone and postage	115,052	34,802	28,512	20,486	198,852
Office and computer supplies	65,277	56,338	40,643	16,981	179,239
Insurance	69,001	60,560	19,162	25,086	173,809
Miscellaneous	37,126	11,869	(66)	22,074	71,003
Equipment	7,473	18,629	34,377	9,865	70,344
Trainings and conferences	33,665	11,720	328	5,632	51,345
Accounting and legal	16,893	5,782	-	14,878	37,553
Advertising	16,751	2,098	374	453	19,676
Public relations	-	-	-	11,662	11,662
<b>Total expenses</b>	<u>\$ 9,966,190</u>	<u>\$5,659,184</u>	<u>\$1,017,776</u>	<u>\$2,381,553</u>	<u>\$19,024,703</u>
Internal allocation of management and general expenses:					
Total expenses	\$ 9,966,190	\$5,659,184	\$1,017,776	\$2,381,553	\$19,024,703
Allocation	<u>1,162,319</u>	<u>1,082,410</u>	<u>125,162</u>	<u>(2,369,891)</u>	<u>-</u>
	<u>\$11,128,509</u>	<u>\$6,741,594</u>	<u>\$1,142,938</u>	<u>\$ 11,662</u>	<u>\$19,024,703</u>



**SINGLE AUDIT SECTION**

**DCCCA, INC.**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through National Institute of Food and Agriculture			
Passed through Kansas Department of Education			
Cooperative Extension Service	10.500		\$17,446
Passed through Food and Nutrition Services			
Passed through Kansas Department of Education			
Food and Nutrition Services			
Child Nutrition Cluster:			
School Breakfast Program	10.553		13,928
National School Lunch Program	10.555		28,895
Child and Adult Care Program	10.558		<u>9,839</u>
Total U.S. Department of Agriculture			<u>70,108</u>
<u>U.S. Department of Justice</u>			
Passed through Office of Juvenile Justice and Delinquency Prevention			
Passed through Kansas Department of Transportation			
Enforcing Underage Drinking Laws Program	16.727	SP-2201-11 SP-2201-12	<u>33,273</u>
<u>U.S. Department of Transportation</u>			
Passed through Federal Transit Administration			
Passed through Kansas Department of Transportation			
Formula Grants for Other than Urbanized Areas	20.509	CTD10 USC 49-5311 2012	32,540
Passed through National Highway Traffic Safety Administration			
Passed through Kansas Department of Transportation			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	SP-1000-12 SP-1000-12 SP-1301-11 SP-1301-12	577,887
Child Safety and Child Booster Seats Incentive Grants	20.613	SP-1306-11 SP-1306-12	<u>234,995</u>
Total U.S. Department of Transportation			<u>845,422</u>
<u>U.S. Department of Education</u>			
Passed through the Office of Safe and Drug-Free Schools			
Passed through Unified School District 491			
Safe and Drug Free Schools and Communities – National Programs	84.184	FY12 Safe Schools Healthy Students #Q184L080350	<u>60,413</u>

See accompanying notes to schedule of expenditures of federal awards

DCCCA, INC.

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012  
(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Substance Abuse and Mental Health Services Administration Passed through Center for Substance Abuse Prevention Passed through Kansas Department of Social and Rehabilitation Services Passed through Health Care Policy, Substance Abuse Treatment and Recovery Passed through Addictions and Prevention Services Strategic Prevention Framework State Incentive Grant	93.243	SPF-DBHS-16345-12	\$35,176
Passed through Substance Abuse and Mental Health Services Administration Passed through Center for Substance Abuse Prevention Drug Free Communities Support Program Grants	93.276	New Traditions Coalition DFC 1H79SP016605-01	114,220
Passed through Jackson County Communities That Care Coalition Passed through Unified School District 337 Drug Free Communities Support Program Grants	93.276	Jackson Co DFC	5,000
Passed through the Centers for Disease Control and Prevention Passed through Kansas Department of Education Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	2011 and 2012	9,877
Passed through Substance Abuse and Mental Health Services Administration Passed through Kansas Department of Social and Rehabilitation Services Passed through Health Care Policy, Substance Abuse Treatment and Recovery Passed through Addictions and Prevention Services Block Grants for Prevention and Treatment of Substance Abuse	93.959	A 107220 A 334041 A 881153 A 881898 A 901739 D 152040 PREV-08-18-03 and RPC-DBHS-16345- 2012	1,809,386      48,616 108,596
Total U.S. Department of Health and Human Services			<u>2,130,871</u>
Total federal awards expenditures			<u>\$3,140,087</u>

See accompanying notes to schedule of expenditures of federal awards

**DCCCA, INC.**

Notes to Schedule of Expenditures of Federal Awards  
June 30, 2012

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of DCCCA, Inc. and is presented on the accrual basis of accounting, modified to include federal expenditures for capital equipment purchases. Federal financial assistance revenues are reported within grant or contract revenue on DCCCA, Inc.'s statement of activities.

DCCCA, INC.

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Noncompliance material to financial statements noted:	None

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133:	None
Identification of major programs:	
<u>CFDA Number</u> 93.959	<u>Name of Federal Program</u> Block Grants for Prevention and Treatment of Substance Abuse
Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 300,000
Auditee qualified as low-risk auditee:	Yes

**DCCCA, INC.**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012  
(Continued)

**Section II – Financial Statement Findings**

No matters reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters reported.

**DCCCA, INC.**

Schedule of Prior Audit Findings  
Year Ended June 30, 2012

None.



BERBERICH TRAHAN & CO., P.A.  
Certified Public Accountants

Independent Auditor's 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

Board of Directors  
DCCCA, Inc.

We have audited the financial statements of DCCCA, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated November 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether DCCCA, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Berberich Trahan & Co., P.A.*

November 27, 2012



BERBERICH TRAHAN & CO., P.A.  
Certified Public Accountants

Independent Auditor's Report on Compliance with Requirements That Could Have a  
Direct and Material Effect on Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133

Board of Directors  
DCCCA, Inc.

Compliance

We have audited DCCCA, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on DCCCA, Inc.'s major federal program for the year ended June 30, 2012. DCCCA, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of DCCCA, Inc.'s management. Our responsibility is to express an opinion on DCCCA Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DCCCA, 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 of DCCCA, Inc.'s compliance with those requirements.

In our opinion, DCCCA, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

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### Internal Control Over Compliance

Management of DCCCA, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered DCCCA, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 DCCCA, Inc.'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 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.

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 deficiencies, 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.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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.

*Berberich Trahan & Co., P.A.*

November 27, 2012