

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Zavada & Associates

Certified Public Accountants

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.

TABLE OF CONTENTS

JUNE 30, 2016 AND 2015

	<u>PAGE</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows.....	5
Notes to Financial Statements	6-19
Supplementary Information:	
Schedule of Revenue by Program and Other Sources.....	20
Schedule of Operating Expenses.....	21
Schedule of Outpatient, Prevention and Intensive Outpatient/Partial Hospitalization Services Provided Under Contract with Luzerne-Wyoming Counties Drug and Alcohol Program (SCA).....	22-23
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 <i>Government Auditing Standards</i>	24-25
Schedule of Findings and Responses	26

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Wyoming Valley Alcohol and Drug Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Wyoming Valley Alcohol and Drug Services, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and change in net assets, 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

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 Wyoming Valley Alcohol and Drug Services, Inc. as of June 30, 2016 and 2015, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information presented on pages 20 to 23 are 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 September 1, 2016 on our consideration of Wyoming Valley Alcohol and Drug Services, 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* in considering Wyoming Valley Alcohol and Drug Services, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Zavada & Associates". The signature is written in a cursive, flowing style.

Forty Fort, Pennsylvania
September 1, 2016

**WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 252,601	\$ 160,749
Accounts receivable, net of allowance	269,134	284,140
Prepaid expenses	36,013	22,671
Investments	112,486	111,752
Investments temporarily restricted	<u>241,318</u>	<u>238,531</u>
Total current assets	<u>911,552</u>	<u>817,843</u>
Property and equipment, net	<u>397,930</u>	<u>377,470</u>
Total assets	<u>\$ 1,309,482</u>	<u>\$ 1,195,313</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line of credit – Landmark Community Bank	\$ -	\$ 10,000
Accounts payable	38,272	43,090
Accrued salaries and expenses	233,293	192,127
Deferred revenue	<u>39,342</u>	<u>-</u>
Total current liabilities	<u>310,907</u>	<u>245,217</u>
Total liabilities	<u>310,907</u>	<u>245,217</u>
NET ASSETS		
Unrestricted	710,886	668,112
Temporarily restricted	241,318	238,531
Permanently restricted	<u>46,371</u>	<u>43,453</u>
Total net assets	<u>998,575</u>	<u>950,096</u>
Total liabilities and net assets	<u>\$ 1,309,482</u>	<u>\$ 1,195,313</u>

See accompanying notes to financial statements.

**WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
REVENUES AND SUPPORT:		
Public Support – United Way	\$ 40,000	\$ 61,637
Fees and grants from governmental agencies	1,577,327	1,346,479
Consultation and professional fees	652,031	581,165
Interest income	273	191
Dividend income	2,152	1,173
Vending income	2,038	1,638
Special events	13,615	15,889
Donations and memorials	12,529	15,581
Lower of cost or market adjustment	<u>(4,270)</u>	<u>(786)</u>
Total revenue and support	<u>2,295,695</u>	<u>2,022,967</u>
OPERATING EXPENSES:		
Program expenses	1,794,160	1,552,231
Management and general	425,288	417,796
Depreciation	<u>33,473</u>	<u>28,774</u>
Total operating expenses	<u>2,252,921</u>	<u>1,998,801</u>
Operating income (loss)	<u>42,774</u>	<u>24,166</u>
Increase (decrease) in unrestricted net assets	<u>42,774</u>	<u>24,166</u>
TEMPORARILY RESTRICTED NET ASSETS		
Investment income	<u>2,787</u>	<u>13,814</u>
Change in temporarily restricted net assets	<u>2,787</u>	<u>13,814</u>
PERMANENTLY RESTRICTED NET ASSETS		
Unemployment savings program	<u>2,918</u>	<u>740</u>
Change in permanently restricted assets	<u>2,918</u>	<u>740</u>
Increase (decrease) in net assets	48,479	38,720
Net assets, beginning of year	<u>950,096</u>	<u>911,376</u>
Net assets, end of year	<u>\$ 998,575</u>	<u>\$ 950,096</u>

See accompanying notes to financial statements.

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 48,479	\$ 38,720
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for bad debts and charity care	150,797	143,863
Depreciation	33,473	28,774
(Increase) decrease in assets:		
Accounts receivable	(135,791)	(94,100)
Prepaid expenses	(13,342)	(8,522)
Increase (decrease) in liabilities:		
Accounts payable	(4,818)	25,657
Deferred revenue	39,342	-
Accrued expenses	<u>41,166</u>	<u>64,666</u>
Net cash provided (used) by operating activities	<u>159,306</u>	<u>199,058</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(53,933)	(88,885)
Net change in investments	<u>(3,521)</u>	<u>(14,904)</u>
Cash provided (used) by investing activities	<u>(57,454)</u>	<u>(103,789)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	50,000	-
Line of Credit payments	<u>(60,000)</u>	<u>(49,975)</u>
Cash provided (used) by financing activities	<u>(10,000)</u>	<u>(49,975)</u>
Net increase (decrease) in cash	91,852	45,294
CASH – BEGINNING OF YEAR	<u>160,749</u>	<u>115,455</u>
CASH – END OF YEAR	<u>\$ 252,601</u>	<u>\$ 160,749</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	<u>\$ 2,585</u>	<u>\$ 2,906</u>

See accompanying notes to financial statements.

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Operations

Wyoming Valley Alcohol and Drug Services, Inc. (the Organization) was incorporated under the laws of the Commonwealth of Pennsylvania as a non-profit organization. The Internal Revenue Service has issued its determination letter exempting the Organization from income taxes pursuant to Section 501 (c)(3) of the Internal Revenue Code of 1954, as amended. The Organization provides on a fee for service basis, counseling for drug, tobacco and alcohol addiction on an outpatient basis and provides drug and alcohol prevention and education services.

Basis of Accounting

The Organization uses the accrual basis of accounting recognizing revenue when it is earned and recording expenses when they are incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at the lower of cost or market or, if received as a donation, at fair market value at the date of the gift, which is treated as cost. Thereafter, the investments are reported at market value, provided the brokerage statements, in the financial statements. Unrealized gains and losses are reflected annually in the financial statements. Realized gains or losses are recognized in the period the investment is sold using the average cost method to compute gains and losses. Realized gains and losses are reported as unrestricted unless their use is temporarily or permanently restricted by explicit donor imposed stipulations.

The Organization's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the balance sheet are exposed to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge of the valuation allowance and a credit to the applicable accounts receivable.

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued:

Property and Equipment

Property and equipment acquisitions are recorded at cost. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When property or equipment is sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized. Depreciation is provided on the straight-line and accelerated methods over the estimated useful lives of the respective assets.

For purposes of reimbursement under various standard program funded contracts with Luzerne-Wyoming Counties Drug and Alcohol Program (SCA), furniture and equipment are considered to be owned by the Organization while contracts with the SCA are in existence, however, the Commonwealth of Pennsylvania and the SCA have a reversionary interest in the property; its disposition, as well as the ownership of any proceeds therefrom, is subject to their regulations. Such items purchased under the standards "program funded contracts" are returnable to the SCA upon termination or cancellation of the contract. All current contracts are considered by the Organization to be on a modified program funded basis. According to the SCA, no reversionary interest to the SCA is required for purchases of furniture and equipment under the modified program funded contracts.

Advertising

The Organization's policy is to expense advertising costs as incurred. Advertising costs incurred and expensed were \$17,873 for 2016 and \$16,847 for 2015.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

The Organization adopted FASB ASC 740 (formerly FASB Interpretation No. 48 commonly known as FIN 48) effective July 1, 2007. ASC 740 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurements of the tax uncertainty occurs if the recognition threshold has been met. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. Management has determined that the adoption of ASC 740 does not have a material impact on the financial statements.

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued:

Income Taxes - continued

The Organization is required to file annually Internal Revenue Service Form 990 Return of Organization Exempt from Income Tax. The Organization is current with filing its Form 990, 2015, 2014 and 2013 are still subject to examination by the Internal Revenue Service.

Date of Management Review

Subsequent events were evaluated through September 1, 2016 which is the date the financial statements were available to be issued.

Reclassification of Prior Year Financial Statement Amounts

To facilitate comparison between current and prior year financial statements, certain items in the prior year financial statements have been reclassified to reflect their presentation in the current year financial statements.

NOTE 2. CONCENTRATIONS:

The Organization operates in northeastern Pennsylvania, principally in Luzerne County with prevention programs in Wyoming County. It provides services and extends credits to patients. These credits are collected from the patients, third party payors and governmental agencies. These credits are not collateralized.

The Organization maintains its cash, with two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016 and 2015, the Organization's cash balances were fully insured.

Investments that potentially subject the Organization to concentrations of credit risk consist principally of investments and cash deposits at a brokerage firm. The accounts at the brokerage firm contain cash and securities. Balances are insured up to \$500,000, with a limit of \$100,000 for cash, by the Securities Investor Protection Corporation (SIPC). At June 30, 2016 and 2015, the Organization's investments and cash did not exceed the insured limits.

During the year ended June 30, 2016, the Organization received 31.74% of its revenue and support from the Luzerne-Wyoming Counties Drug and Alcohol Programs (SCA) and 36.80% from other governmental programs. These percentages represent a significant source of revenues and if there were any declines in these types of programs, it could have an adverse effect on the Organization.

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3. NET ASSETS:

Permanently Restricted:

Management has entered into an agreement with a third party to process the Organization's unemployment claims. As part of that agreement, a reserve account has been established. At June 30, 2016, the reserve account had a cash balance of \$46,371. The amount in the unemployment reserve account is subject to any pending claims and certain requirements in the agreement with the third party.

The permanently restricted net asset balances at June 30, 2016 and 2015 consist of:

	<u>2016</u>	<u>2015</u>
Designated for Unemployment Claims	\$ <u>46,371</u>	\$ <u>43,453</u>

Temporarily Restricted Net Assets:

Donor Restriction:

Temporarily restricted net assets whose use by the Organization has been restricted by the donor to a specified time period and purpose. Donor restrictions that are satisfied in the same fiscal period are reported as unrestricted in the period along with any earnings on the donation.

Other Restriction:

In February 2008, the Organization received \$494,604 plus an additional \$51,264 for a total of \$545,868 in exchange for its 13,739 shares of Community Behavioral Health Care Network of Pennsylvania, Inc. ("CBHNP"). The Commonwealth of Pennsylvania Department of Public Welfare granted CBHNP shareholders a waiver of the regulations at 55 Pa. Code Chapter 4300 provided that they use the sale proceeds and interest earned thereon only as the Board of Directors determine appropriate to support and sustain their organizations and to develop, maintain and deliver services. This will include as examples, developing and expanding existing services, avoiding, reducing or eliminating short or long-term debt, making capital improvements and purchases, recruiting and retaining employees, and employee training and pursuit of advanced degrees and certifications. Further, the proceeds and interest earned thereon must be kept in a segregated account and documentation must be kept to show that the funds were used in accordance with the restrictions set forth in the waiver.

An accounting of the CBHNP proceeds through June 30, 2016 is as follows:

Beginning balance – July 1, 2014	\$ 224,717
Increase in minimum guaranteed contract value	<u>13,814</u>
June 30, 2015 balance – temporarily restricted	\$ 238,531
Increase in minimum guaranteed contract value	<u>2,787</u>
June 30, 2016 balance – temporarily restricted	\$ <u>241,318</u>

Through June 30, 2016, the Organization has qualifying expenditures in excess of the CBHNP restriction. Operating expenditures were made for new employee wages and benefits, capital improvements, and capital purchases. The Organization has documented that the expenditures were made in accordance with the restrictions set forth in the waiver.

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 4. CASH:

Details of cash at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Checking account, interest bearing	\$ 91,802	\$ 56,201
Petty cash fund	<u>570</u>	<u>570</u>
	92,372	56,771
Restricted for unemployment claims	46,371	43,453
Money market account	<u>113,858</u>	<u>60,525</u>
Total	<u>\$ 252,601</u>	<u>\$ 160,749</u>

NOTE 5. ACCOUNTS RECEIVABLE:

Details of accounts receivable at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Governmental agencies	\$ 78,017	\$ 63,209
School districts	11,450	15,450
Other	<u>208,470</u>	<u>225,474</u>
Total accounts receivable	297,937	304,133
Less: Allowance for bad debts and reserve for contractual allowance related to other receivables	<u>28,803</u>	<u>19,993</u>
Net accounts receivable	<u>\$ 269,134</u>	<u>\$ 284,140</u>

NOTE 6. INVESTMENTS:

Details on investments at June 30, 2016 and 2015 are as follows:

	<u>2016</u>		
<u>Investments</u>	<u>Cost</u>	<u>Market</u>	<u>Lower of Cost or Market Adjustment</u>
Mutual Funds/Investments	\$ <u>112,486</u>	\$ <u>116,756</u>	\$ <u>(4,270)</u>
Restricted by PA Department of Public Welfare and Other Agreements:			
Annuities	<u>241,318</u>	<u>241,318</u>	-
	<u>\$ 353,804</u>	<u>\$ 358,074</u>	<u>\$ (4,270)</u>

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 6. INVESTMENTS – continued:

	2015		
<u>Investments</u>	<u>Cost</u>	<u>Market</u>	<u>Lower of Cost or Market Adjustment</u>
Mutual Funds/Investments	\$ <u>112,486</u>	\$ <u>111,752</u>	\$ <u>(734)</u>
Restricted by PA Department of Public Welfare and Other Agreements:			
Annuities	238,531	238,531	-
	<u>\$ 351,017</u>	<u>\$ 350,283</u>	<u>\$ (734)</u>

NOTE 7. FAIR VALUE MEASUREMENT:

FASB ASC 820, establishes a framework for measuring fair value. That framework provides 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 as follows:

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2:

Input to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3:

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7. FAIR VALUE MEASUREMENT – continued:

Following is a description of the valuation methodologies used for assets measured at fair value on June 30.

Mutual Funds:

Valued at the net asset value (NAV) of shares held at June 30.

Certificate of Deposit and Money Market Account:

Valued at current market value.

Real Estate Investment Trust:

Valued at estimated values as reported by an independent third party retained by the Real Estate Trust.

Group Flexible Premium Deferred Annuity Certificates:

Values are based on surrender values provided by Fidelity and Guaranty Life Insurance Company.

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 the Organization 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2016 and 2015:

	<u>Assets at Fair Value as of June 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds				
Small/Mid Cap Fund	\$ 9,717	\$ -	\$ -	\$ 9,717
Large Cap Growth Fund	7,410	-	-	7,410
Floating Rate Class "C" Fund	14,646	-	-	14,646
US Government Income Fund	27,057	-	-	27,057
Money Market Fund Class "B"	<u>11,894</u>	<u>-</u>	<u>-</u>	<u>11,894</u>
	70,724	-	-	70,724
Money Market	4,063	-	-	4,063
Real Estate Investment Trust	41,969	-	-	41,969
Annuity Contracts	<u>-</u>	<u>-</u>	<u>241,318</u>	<u>241,318</u>
Total	<u>\$ 116,756</u>	<u>\$ -</u>	<u>\$ 241,318</u>	<u>\$ 358,074</u>

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7. FAIR VALUE MEASUREMENT – continued:

	Assets at Fair Value as of June 30, 2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds				
Small/Mid Cap Fund	\$ 11,079	\$ -	\$ -	\$ 11,079
Large Cap Growth Fund	7,391	-	-	7,391
Floating Rate Class “C” Fund	15,657	-	-	15,657
US Government Income Fund	28,065	-	-	28,065
Money Market Fund Class “B”	<u>9,472</u>	<u>-</u>	<u>-</u>	<u>9,472</u>
	71,664	-	-	71,664
Money Market	4,075	-	-	4,075
Real Estate Investment Trust	36,013	-	-	36,013
Annuity Contracts	<u>-</u>	<u>-</u>	<u>238,531</u>	<u>238,531</u>
Total	<u>\$ 111,752</u>	<u>\$ -</u>	<u>\$ 238,531</u>	<u>\$ 350,283</u>

Level 3 Increases and Decreases

The following table sets forth a summary of changes in the fair value of the Organization’s level 3 assets for the year ended June 30, 2016 and 2015.

	<u>Level 3 Assets</u> <u>Year Ended June 30, 2016 and 2015</u>
	<u>Flexible Premium</u> <u>Deferred Annuity</u> <u>Certificates</u>
Balance, July 1, 2014	\$ 224,717
Increase in Minimum Guaranteed Contract Value	<u>13,814</u>
	238,531
Market Decline	<u>-</u>
Balance, June 30, 2015	\$ 238,531
Increase in Minimum Guaranteed Contract Value	<u>2,787</u>
	241,318
Market Decline	<u>-</u>
Balance, June 30, 2016	<u>\$ 241,318</u>

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 8. PROPERTY AND EQUIPMENT:

Details of property and equipment transactions for the year ended June 30, 2016 are as follows:

	7/1/15 - <u>6/30/16</u>	7/1/14 - <u>6/30/15</u>
Balance – July 1	\$ 708,392	\$ 685,000
Additions	53,933	88,885
Disposals	<u> -</u>	<u>(65,493)</u>
Balance – June 30	\$ <u>762,325</u>	\$ <u>708,392</u>
Land	\$ 20,000	\$ 20,000
Building	571,522	571,522
Furniture and equipment	<u>170,803</u>	<u>116,870</u>
	762,325	708,392
Less: Accumulated depreciation	<u>(364,395)</u>	<u>(330,922)</u>
Property and equipment, net	\$ <u>397,930</u>	\$ <u>377,470</u>
Depreciation Expense for the year	\$ <u>33,473</u>	\$ <u>28,774</u>

Land and buildings are pledged as collateral for the Organization's credit line borrowings.

NOTE 9. ACCRUED EXPENSES:

Details of accrued expenses at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Accrued salary, accumulated sick leave, vacation pay and benefits	\$ 214,657	\$ 175,704
Payroll withholding and related taxes	<u>18,636</u>	<u>16,423</u>
Total	\$ <u>233,293</u>	\$ <u>192,127</u>

NOTE 10. SHORT-TERM DEBT:

The Organization maintained a credit line at Landmark Community Bank which allows borrowing up to \$50,000 which is secured by real estate located at North Main Street, Wilkes-Barre, Pennsylvania. The aggregate outstanding balances at June 30, 2016 and 2015, were \$-0- and \$10,000 respectively.

The Organization also maintained a credit line at Wells Fargo Bank which allows unsecured borrowing up to \$200,000. The aggregate outstanding balance at June 30, 2016 and 2015, was \$-0- for both years.

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 10. SHORT-TERM DEBT - continued:

The interest for both credit lines is variable based on prime as quoted in the Wall Street Journal. At June 30, 2016 and 2015, the interest rate was 4% for both.

Interest paid on these credit lines for the years ended June 30, 2016 and 2015, was \$2,585 and \$2,906 respectively.

NOTE 11. REVENUES AND REVENUES RECEIVED UNDER CONTRACT:

The Organization's revenues are received for providing alcohol, tobacco and drug abuse outpatient counseling, prevention and education services on a fee for service basis. Revenues are received from medical assistance, Blue Cross, Blue Shield of Northeastern Pennsylvania, School Districts, non-profit entities, governmental agencies and private payors.

The Organization has also entered into a contract for outpatient, prevention and partial hospitalization with Luzerne-Wyoming Counties Drug and Alcohol Program (SCA) to provide the following program services:

A. Outpatient Counseling Services:

The variety of services provided annually amount to approximately 10,900 plus hours of counseling to over 3,000 patients and families.

1. Individual counseling – One on one counseling.
2. Partial Hospitalization Program (“Stepping Stones”) – 72 hour program over six weeks.
3. Adolescent Program – Individual and group counseling to approximately 500 adolescents annually.
4. Family Program – Every week for two hours.
5. Relapse Prevention Group Therapy
6. Specialty Programs for Military Veterans and Families and Disability Population with Addiction Issues.
7. Gambling Counseling.

B. Prevention and Education Services:

This service is geared to the prevention of alcohol, tobacco and drug abuses before they happen. The program provides education, information, films, lectures and discussions of all aspects of alcohol and drug use pointing out the potential dangers, as well as focusing on the importance of a good self-image, formation of healthy peer relationships, clarifying values and attitudes and making reasonable decisions regarding alcohol and drug use.

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11. REVENUES AND REVENUES RECEIVED UNDER CONTRACT - continued:

The variety of services provided are:

1. School-Based Prevention/Education serving eleven public school districts in Luzerne, Wyoming, and Carbon Counties. A team of eleven (11) Prevention/Education Specialists provide in excess of 8,000 school-based hours annually:

- Refusal Skills
- Conflict Resolution
- Self-Esteem Building
- Effective Decision Making

B. Prevention and Education Services - continued:

- Problem Solving Skills
 - Peer Mediation
 - Suicide Prevention
 - Perinatal Addiction
 - Gang Prevention Activities
 - Weapons Deterrent Program
 - Goal Setting
 - Peer Selection
 - Etc.
2. Community-Based – Over 3,900 hours of community programs done annually to community groups and organizations.

Additionally, Wyoming Valley Alcohol and Drug Services, Inc. provides Employee Assistant Programs (EAP) to 40 plus industries; training, development of worksite policies, impaired employee counseling, etc.

The SCA established by contract a maximum budgeted amount they will reimburse the Organization for providing outpatient and prevention services for the contract year of July 1, 2014 to June 30, 2016. The SCA requires the Organization to submit on a monthly basis an invoice showing the number of outpatient and prevention hours of service delivered.

The SCA reimburses the Organization at the applicable contract clinical and non-clinical rate per hour (unit of service) multiplied by the monthly hours of service rendered less other clinical third party funds (United Way, client fees, medical assistance, etc.) required by the SCA contract to be billed by the Organization and reported to the SCA on a monthly basis. The SCA contract provides payment to the Organization at the net amount. (Contract rate less third party funds).

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11. REVENUES AND REVENUES RECEIVED UNDER CONTRACT- continued:

The maximum budgeted amount of the contract is normally billed to the SCA by the Organization by the tenth or eleventh month of the contract year. However, the Organization has traditionally provided over the remainder of the contract period free outpatient and prevention services to the community without guarantee of any further reimbursement from the SCA. During the current year charity care (free service) amounted to \$37,820 of which \$8,912 relates to the SCA contract and \$28,908 to various other funding sources. During the prior year, charity care (free service) amounted to \$34,543 of which \$25,373 relates to the SCA Contract and \$9,170 to various other funding sources.

NOTE 12. DEFERRED REVENUE/GRANT REVENUE:

The Organization received a \$50,000 grant from The Harry and Jeanette Weinberg Foundation, Inc. on December 18, 2015. As of June 30, 2016, \$10,658 was used to pay client fees as per grant stipulations, and was recognized as revenue. The remaining \$39,342 was still available to be spent and was recorded as deferred revenue.

NOTE 13. PENSION PLAN:

The Organization has a simplified employee pension plan (SEP) that covers substantially all of its eligible employees. The contribution rate is a minimum of 4% of employee annual salary as made by the employer and was \$98,384 and \$60,075 for the years ended June 30, 2016 and 2015 respectively. The Organization made contributions of 15% and 10% for quarter's ended June 30, 2016 and 2015, respectively.

NOTE 14. LEASE ARRANGEMENTS:

The Organization leases office space and an automobile. Details of these lease arrangements are as follows:

Operating Leases – Office Space:

1. Office space in Pittston, PA is leased under annual leases with Reilly Building, LLC, which are extended each year.

An office is leased at \$280 monthly. The lease expires on June 30, 2017.
An office is leased at \$485 monthly. The lease expires on June 30, 2017.
An office is leased at \$430 monthly. The lease expires on July 31, 2017.
An office is leased at \$200 monthly. The lease expires on September 30, 2016.
An office is leased at \$185 monthly. The lease expires on October 31, 2016.
2. Office space in Berwick, PA is leased with Vision Development, LLC from 7/1/15 – 7/1/17. The office is leased at \$500 monthly for the first year with a 3.5% annual increase after the first year.
3. Office space in Kingston, PA is leased with Ettore J. Lippi, A.I.A. with a lease term of 7/1/16 – 6/30/18 and a payment of \$1,360 monthly thru 6/30/17 and \$1,440 from 7/1/17 – 6/30/18.

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 14. LEASE ARRANGEMENTS - continued:

Rental expense paid under the above leases was \$22,780 and \$16,234 respectively.

Operating Lease – Automobile

An automobile is leased under standard automobile lease terms with Nissan Motor Acceptance Corporation. The lease requires 36 monthly payments of \$334 from 5/20/16 – 4/30/19 totaling \$12,024. During the current period \$668 was paid.

The lease with Ford Credit was paid off on 5/18/16. The payoff amount was \$2,087. Payments totaling \$3,026 were made from 7/1/15 – 4/30/16.

At June 30, 2016 the required future minimum lease payments are:

<u>Period Ended</u>	
06-30-2017	\$ 4,008
06-30-2018	4,008
06-30-2019	3,340
06-30-2020	-
06-30-2021	-
	<u>\$ 11,356</u>

NOTE 15. RELATED PARTY TRANSACTIONS:

The Organization’s Board of Directors consists of 12 board members. The Organization purchased legal services from one of its board members during the year ended June 30, 2016 and 2015 as follows:

<u>Board Member</u>	<u>Services Provided</u>	<u>Amount</u> <u>6/30/16</u>	<u>Amount</u> <u>6/30/15</u>
Atty. Thomas Cometa	Legal	\$ _____	\$ <u>1,500</u>

Attorney Cometa tendered his resignation from the Board on December 31, 2014 to become the Agency’s solicitor.

NOTE 16. MEDICAL MALPRACTICE CLAIMS COVERAGE:

The Organization’s medical malpractice insurance coverages are provided under the provisions of an insurance arrangement with Philadelphia Insurance Companies.

Coverage is provided under the terms of an insurance contract which covers losses, if any, which are reported during the period the contract is in force, “claims made and occurrence coverage”.

The Organization states it has no knowledge of any unasserted claims which would exceed its insurance coverage.

WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 17. FUNCTIONAL ALLOCATION OF EXPENSES:

The cost of providing the various programs and 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.

NOTE 18. CONTINGENCIES:

The Organization participates in both federal and state assisted fee-for-service contracts. These contracts are subject to program compliance audits by the grantors. The Organization is potentially liable for any expenditures or units of service billed which may be disallowed pursuant to the terms of these grant contracts. Management indicated it is not aware of any material items on noncompliance which would result in any disallowance of units of service billed.

NOTE 19. RETURN ON INVESTMENTS:

Total investment return (loss) consists of the following:

	<u>2016</u>	<u>2015</u>
Unrestricted Revenue:		
Interest Income	\$ 273	\$ 191
Dividend Income	<u>2,152</u>	<u>1,173</u>
	2,425	1,364
Restricted Revenue:		
Increase in Minimum Guaranteed Contract Value	2,787	13,814
Change in Other Than Trading Securities	<u>(4,270)</u>	<u>(786)</u>
Total Return on Investments	<u>\$ 942</u>	<u>\$ 14,392</u>

**WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
SCHEDULE OF REVENUE BY PROGRAM AND OTHER SOURCES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Revenue:		
Fees and Grants from Governmental Agencies:		
SCA Revenue	\$ 638,537	\$ 645,368
SCA – SAP Revenue	<u>77,282</u>	<u>83,331</u>
SCA – Luzerne – Wyoming Counties	<u>715,819</u>	<u>728,699</u>
SCA – Columbia, Montour, Snyder, Union Counties	<u>14,570</u>	<u>-</u>
Office of Vocation and Rehabilitation	1,800	12,000
Domestic Violence Service Center	9,517	8,108
Pennsylvania Liquor Control Board	-	1,848
Pennsylvania Department of Health	7,028	7,954
Weinberg Foundation	<u>10,658</u>	<u>-</u>
	<u>29,003</u>	<u>29,910</u>
Medical assistance	16,907	19,808
Community Care Behavioral Health	<u>801,028</u>	<u>568,062</u>
	<u>817,935</u>	<u>587,870</u>
Total Fees and Grants from Governmental Agencies	<u>\$ 1,577,327</u>	<u>\$ 1,346,479</u>
Consultation and Professional Fees:		
Client fees	\$ 156,662	\$ 158,953
Blue Cross	305,093	221,964
United Behavioral Health	119,363	110,328
First Priority Revenue	21,824	18,001
Other Insurance	24,654	35,961
DUI Revenue	11,310	13,160
Veterans Administration	665	1,173
Mid Atlantic Youth Services	1,200	10,400
Miscellaneous – Children and Youth	-	720
Other – Universities and Training	3,150	4,590
Adult Probation	<u>8,110</u>	<u>5,915</u>
Total Consultation and Professional Fees	<u>\$ 652,031</u>	<u>\$ 581,165</u>

**WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Program Expenses:		
Salaries	\$ 1,400,369	\$ 1,228,248
Payroll Taxes	122,250	117,174
Employee Benefits	<u>271,541</u>	<u>206,809</u>
Total Program Expenses	<u>1,794,160</u>	<u>1,552,231</u>
Management and General Expenses:		
Staff Development	\$ 10,906	\$ 6,008
Board Expense	3,896	3,775
Vending Expense	1,409	1,360
Consultation Expense	34,950	57,078
Interest Expense	2,585	2,906
Building Rent	22,780	16,234
Auto Expense	2,202	1,809
General Insurance	20,526	19,416
Telephone	22,606	15,863
Postage	1,810	1,744
Advertising	17,873	16,847
Utilities	10,229	11,645
Office Expense	27,008	33,324
Program Supplies	3,370	3,159
Staff Travel	9,930	9,246
Purchased Physician Service	12,000	12,000
Equipment Maintenance	30,048	29,197
Auto Lease Expense	6,387	3,578
Dues and Subscriptions	685	635
Client and Waiting Room Expense	5,092	4,109
Other Expenses	18,621	13,790
Special Events	9,578	10,210
Charity Care	37,820	34,543
Bad Debt Expense	<u>112,977</u>	<u>109,320</u>
Total Management and General Expenses	<u>\$ 425,288</u>	<u>\$ 417,796</u>
Total Expenses Before Depreciation	2,219,448	1,970,027
Depreciation Expense	<u>33,473</u>	<u>28,774</u>
Total Operating Expenses	<u>\$ 2,252,921</u>	<u>\$ 1,998,801</u>

**WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
SCHEDULE OF OUTPATIENT, PREVENTION AND INTENSIVE OUTPATIENT/PARTIAL HOSPITALIZATION
SERVICES PROVIDED UNDER CONTRACT, WITH LUZERNE-WYOMING COUNTIES
DRUG AND ALCOHOL PROGRAM (SCA)
FOR THE YEAR ENDED JUNE 30, 2016**

	Contracted Amount	Services Provided by Wyoming Valley Alcohol and Drug Services, Inc. to the SCA	Amount Received from Luzerne-Wyoming Counties Drug and Alcohol Program (SCA)	Total Free Services Provided to Luzerne-Wyoming Counties Drug and Alcohol Program (SCA)
Contracted Services:				
Outpatient Services:				
Wilkes-Barre (O/P, SAP)	\$ 161,070	\$ 130,993	\$ 130,580	\$ (413)
Intensive Outpatient	<u>3,430</u>	<u>3,430</u>	<u>3,430</u>	<u>-</u>
Total Outpatient Services	<u>164,500</u>	<u>134,423</u>	<u>134,010</u>	<u>(413)</u>
Prevention Services:				
Prevention	376,610	391,695	385,085	(6,610)
Intervention	43,600	45,750	44,975	(775)
Case Management	<u>50,500</u>	<u>43,507</u>	<u>42,684</u>	<u>(823)</u>
Total Prevention Services	<u>470,710</u>	<u>480,952</u>	<u>472,744</u>	<u>(8,208)</u>
Partial Hospitalization Services	<u>119,000</u>	<u>100,444</u>	<u>100,153</u>	<u>(291)</u>
Total SCA Services	<u>\$ 754,210</u>	<u>\$ 715,819</u>	<u>\$ 706,907</u>	<u>\$ (8,912)</u>

**WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
SCHEDULE OF OUTPATIENT, PREVENTION AND INTENSIVE OUTPATIENT/PARTIAL HOSPITALIZATION
SERVICES PROVIDED UNDER CONTRACT, WITH LUZERNE-WYOMING COUNTIES
DRUG AND ALCOHOL PROGRAM (SCA)
FOR THE YEAR ENDED JUNE 30, 2015**

	Contracted Amount	Services Provided by Wyoming Valley Alcohol and Drug Services, Inc. to the SCA	Amount Received from Luzerne-Wyoming Counties Drug and Alcohol Program (SCA)	Total Free Services Provided to Luzerne-Wyoming Counties Drug and Alcohol Program (SCA)
Contracted Services:				
Outpatient Services:				
Wilkes-Barre (O/P, SAP)	\$ 217,868	\$ 211,479	\$ 165,417	\$ (46,062)
Intensive Outpatient	-	-	4,200	4,200
Total Outpatient Services	<u>217,868</u>	<u>211,479</u>	<u>169,617</u>	<u>(41,862)</u>
Prevention Services:				
Prevention	312,359	358,140	349,662	(8,478)
Intervention	33,550	-	33,550	33,550
Case Management	<u>50,853</u>	<u>51,411</u>	<u>50,853</u>	<u>(558)</u>
Total Prevention Services	<u>396,762</u>	<u>409,551</u>	<u>434,065</u>	<u>24,514</u>
Partial Hospitalization Services	<u>101,000</u>	<u>107,669</u>	<u>99,644</u>	<u>(8,025)</u>
Total SCA Services	<u>\$ 715,630</u>	<u>\$ 728,699</u>	<u>\$ 703,326</u>	<u>\$ (25,373)</u>

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 of
Wyoming Valley Alcohol and Drug Services, Inc.
Wilkes-Barre, Pennsylvania

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 Wyoming Valley Alcohol and Drug Services, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and change in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 1, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wyoming Valley Alcohol and Drug Services, 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 Wyoming Valley Alcohol and Drug Services, 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, listed as 2013-1.

Page 2

Compliance and Other Matters

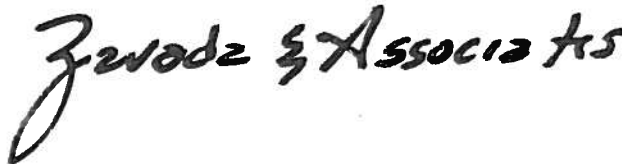
As part of obtaining reasonable assurance about whether Wyoming Valley Alcohol and Drug Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which 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*.

Wyoming Valley Alcohol and Drug Services, Inc. Response to Findings

Wyoming Valley Alcohol and Drug Services, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Wyoming Valley Alcohol and Drug Services, 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.



Forty Fort, Pennsylvania
September 1, 2016

**WYOMING VALLEY ALCOHOL AND DRUG SERVICES, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

2013-1 SEGREGATION OF DUTIES

CONDITION:

Due to the limited staff in the fiscal department, adequate segregation of duties is difficult to achieve. This results in access to accounting records and functions by personnel with incompatible functions.

CRITERIA:

Strong internal control is accomplished in various ways. At a minimum, accounting functions such as handling daily receipts, preparing and making deposits, posting receipts, preparing checks for disbursements, posting disbursements, maintaining custody of check stock, mailing checks to vendors, and reconciling bank accounts should be properly segregated to ensure that errors or defalcations will be detected and/or prevented in a timely manner.

EFFECT OF CONDITION:

Due to the lack of segregation of duties there is a risk that errors or defalcations will occur and not be detected by employers or management in a timely manner, if at all.

RECOMMENDATION:

We recommend that management continuously monitor the controls in place over the various business cycles and revise, as necessary and where cost beneficial, the procedures and controls to achieve proper segregation and/or oversight. We noted that management has already taken some steps to improve controls in these areas. We understand that the Organization has implemented a new billing system. We recognize that this will augment internal controls, but it does not eliminate the weakness of an office staffed with one fiscal person who has access to most control functions.

CLIENT'S RESPONSE:

Due to a limited budget it is unlikely that the situation can be corrected during the next fiscal year. However, if we obtain additional funding the situation will be corrected.