

Palmer Drug Abuse Program
 115 N. 9th st.
 McAllen TX 78501

INVOICE

The State Of Texas County Of Hidalgo

Invoice # 0000001

Invoice Date 03/29/2011

Due Date 12/31/2011

Item	Description	Unit Price	Quantity	Amount
	March 29, 2011- December 31, 2011	2199.00	1.00	2,199.00
		0.00	0.00	0.00
NOTES: to provide substance abuse counseling and drug/alcohol abuse education and prevention programs to residents of Hidalgo County. PDAP shall provide out-patient counseling services to County residents and, in the event PDAP's out-patient treatment is insufficient to comply with the needs of the client, PDAP shall refer the client, and/or family members to the appropriate agency(s).				
Subtotal				2,199.00
Total				2,199.00
Amount Paid				0.00
Balance Due				\$2,199.00



Financial Statements

and

Auditor's Report

December 31, 2008 and 2007

**Palmer Drug Abuse Program
McAllen, Inc.**

**Financial Statements
and
Auditor's Report**

December 31, 2008 and 2007

Rhonda L. Gillum

Certified Public Accountant

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Independent Auditor's Report

Board of Directors
Palmer Drug Abuse Program--McAllen, Inc.
McAllen, Texas

I have audited the accompanying statements of financial position of Palmer Drug Abuse Program--McAllen, Inc. (a not-for-profit organization) as of December 31, 2008 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palmer Drug Abuse Program--McAllen, Inc. as of December 31, 2008, 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.



October 23, 2009

Financial Statements

PALMER DRUG ABUSE PROGRAM--McALLEN, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31

ASSETS

	<u>2008</u>	<u>2007</u> <u>Memorandum</u> <u>Only</u>
Current Assets		
Cash (Notes 2, 7, & 10)	\$ 51,668	\$ 61,059
Certificates of deposit (Notes 2 & 10)	134,898	129,284
Accounts receivable (Note 3)	15,418	6,808
Prepaid expenses	6,000	7,282
Investment bingo (Notes 4 & 7)	<u>21,448</u>	<u>13,826</u>
Total Current Assets	<u>229,432</u>	<u>218,259</u>
Property, Plant, and Equipment		
Furniture, fixtures, and equipment, net (Notes 2 & 5)	946	337
Buildings, building improvements and land, net (Notes 2 & 6)	<u>152,035</u>	<u>154,191</u>
Total Property, Plant, and Equipment (Net)	<u>152,981</u>	<u>154,528</u>
TOTAL ASSETS	<u>\$ 382,413</u>	<u>\$ 372,787</u>

The accompanying notes are an integral part of this report.

PALMER DRUG ABUSE PROGRAM--McALLEN, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u> <u>Memorandum</u> <u>Only</u>
Current Liabilities		
Accounts payable	\$ 20,833	\$ 8,126
Accrued expenses	17,247	14,955
Other current liabilities	<u>7,467</u>	<u>4,371</u>
Total Current Liabilities	<u>45,547</u>	<u>27,452</u>
 Net Assets		
Unrestricted	321,866	333,499
Temporarily restricted (Notes 2 & 7)	<u>15,000</u>	<u>11,836</u>
Total Net Assets	<u>336,866</u>	<u>345,335</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 382,413</u>	 <u>\$ 372,787</u>

PALMER DRUG ABUSE PROGRAM--McALLEN, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31

	2008			2007
	Unrestricted Net <u>Assets</u>	Temporarily Restricted <u>Net Assets</u>	Total <u>Net Assets</u>	Memorandum Only Total <u>Net Assets</u>
CHANGES IN NET ASSETS				
Public Support and Revenue				
Public Support				
Donation income (Notes 2, 10 and 11)	\$ 126,597	\$ -	\$ 126,597	\$ 117,387
Grants	899	-	899	1,125
Fund-raising events (Notes 2, 4, 8, 9, 10 & 11)	<u>234,668</u>	<u>-</u>	<u>234,668</u>	<u>232,756</u>
	<u>362,164</u>	<u>-</u>	<u>362,164</u>	<u>351,268</u>
Revenue				
Service fees (Note 9)	70,166	-	70,166	77,308
Other	<u>8,787</u>	<u>-</u>	<u>8,787</u>	<u>11,956</u>
	<u>78,953</u>	<u>-</u>	<u>78,953</u>	<u>89,264</u>
Assets released from restriction	<u>(3,164)</u>	<u>3,164</u>	<u>-</u>	<u>-</u>
Total Increases in Net Assets	<u>437,953</u>	<u>3,164</u>	<u>441,117</u>	<u>440,532</u>
Expenses				
Program Services				
Rehabilitation services	199,119	-	199,119	203,971
Supporting Services				
Management and general	63,894	-	63,894	54,112
Fund-raising (Note 8)	<u>186,573</u>	<u>-</u>	<u>186,573</u>	<u>200,937</u>
Total Decreases in Net Assets	<u>449,586</u>	<u>-</u>	<u>449,586</u>	<u>459,020</u>
Change in Net Assets	(11,633)	3,164	(8,469)	(18,488)
Net Assets, Beginning of Period	<u>333,499</u>	<u>11,836</u>	<u>345,335</u>	<u>363,823</u>
Net Assets, End of Period	<u>\$ 321,866</u>	<u>\$ 15,000</u>	<u>\$ 336,866</u>	<u>\$ 345,335</u>

The accompanying notes are an integral part of this report.

PALMER DRUG ABUSE PROGRAM--McALLEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2008

(With Summarized Financial Information for the
Year Ended December 31, 2007)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising Services (Note 9)</u>	<u>Total 2008</u>	<u>Memorandum Total 2007</u>
Cost of sales and prizes	\$ -	\$ -	\$ 59,674	\$ 59,674	\$ 45,793
Board development	-	175	-	175	77
Bad debts	1,001	-	1,001	2,002	-
Continuing education and staff development	696	-	-	696	1,155
Contractual	521	-	6,371	6,892	8,929
Dues, subscriptions, and license	861	-	-	861	794
Food and lodging	8,856	-	30,439	39,295	37,703
Insurance	12,492	5,279	5,528	23,299	19,744
Legal and professional fees	-	5,775	-	5,775	5,825
Miscellaneous	863	51	5,047	5,961	2,168
Postage	463	138	229	830	887
Printing	1,104	299	2,790	4,193	4,331
Promotional expense	1,596	-	20,603	22,199	23,730
Rent	1,155	-	5,355	6,510	1,050
Repairs, maintenance, and equipment rental	3,482	841	780	5,103	25,195
Supplies	2,842	814	1,761	5,417	24,993
Taxes--payroll	11,135	3,552	3,298	17,985	17,902
Telephone	2,340	747	693	3,780	3,517
Travel and automobile	3,611	-	88	3,699	4,422
Treatment literature	486	-	-	486	215
Utilities	5,264	1,679	1,559	8,502	9,285
Wages and salaries	136,932	43,684	40,558	221,174	218,280
Workman's compensation	1,114	355	330	1,799	723
Youth activities	288	-	-	288	372
Other loss (Note 6)	665	212	197	1,074	-
Total Expenses Before Depreciation	197,767	63,601	186,301	447,669	457,090
Depreciation (Notes 2, 5, & 6)	1,352	293	272	1,917	1,930
Total Expenses	\$ 199,119	\$ 63,894	\$ 186,573	\$ 449,586	\$ 459,020

The accompanying notes are an integral part of this report.

PALMER DRUG ABUSE PROGRAM--McALLEN, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31

	2008			Memorandum Only 2007
	Unrestricted	Temporarily Restricted	Total	
Cash flows from operating activities:				
Change in net assets	\$ (11,633)	\$ 3,164	\$ (8,469)	\$ (18,488)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	1,917	-	1,917	1,930
(Increase) decrease in accounts receivable	(8,610)	-	(8,610)	946
(Increase) decrease in prepaid expenses	1,282	-	1,282	(4,032)
Increase in accounts payable	12,707	-	12,707	877
Increase in accrued expenses	2,292	-	2,292	5,595
Increase in other current liabilities	<u>3,096</u>	<u>-</u>	<u>3,096</u>	<u>3,210</u>
 Net cash provided by (used in) operating activities	 <u>1,051</u>	 <u>3,164</u>	 <u>4,215</u>	 <u>(9,962)</u>
Cash flows from investing activities:				
Investment in certificates of deposit	(134,898)	-	(134,898)	(130,297)
Maturity of certificates of deposit	129,284	-	129,284	78,054
Acquisition of fixed assets	(1,444)	-	(1,444)	(3,582)
Disposition of fixed assets (Note 6)	1,074	-	1,074	-
Investment in bingo (Note 4)	(4,458)	(48,164)	(52,622)	(16,990)
Bingo distributions	<u>-</u>	<u>45,000</u>	<u>45,000</u>	<u>40,636</u>
 Net cash used in investing activities	 <u>(10,442)</u>	 <u>(3,164)</u>	 <u>(13,606)</u>	 <u>(32,179)</u>
Net decrease in cash and cash equivalents	(9,391)	-	(9,391)	(42,141)
Cash and cash equivalents at beginning of year	<u>60,909</u>	<u>150</u>	<u>61,059</u>	<u>103,200</u>
Cash and cash equivalents at end of year	<u>\$ 51,518</u>	<u>\$ 150</u>	<u>\$ 51,668</u>	<u>\$ 61,059</u>
Supplemental data:				
Donated repairs, supplies, advertising, and fund-raising material (Notes 2, 8, 10, & 11)	\$ 73,367	\$ -	\$ 73,367	\$ 100,171
Interest accrued and paid	-	-	-	-
Income tax paid	-	-	-	-
Income tax expense	-	-	-	-

The accompanying notes are an integral part of this report.

PALMER DRUG ABUSE PROGRAM--McALLEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

Note 1 - Nature of the Organization

Palmer Drug Abuse Program--McAllen, Inc. (the Organization) was created in 1988. Its purpose is to offer a solution through counseling to the problem of chemical dependency in adolescents and to aid their families. It is a not-for-profit, voluntary health agency exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the organization is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contribution deduction for individual donors.

The Organization receives its funds primarily through grants from local municipalities, contracts to provide services to local schools, and donations from governmental entities, charitable organizations, individuals and area businesses. Funds are also provided through fund raising events.

Board of directors, management, and employees of the Organization acknowledge that, to the best of their ability, all assets received have been used or are designated for future use for the purpose for which they were contributed, or have been accumulated to allow management to conduct the operations of the Organization as effectively and efficiently as possible.

Note 2 - Summary of Significant Accounting Policies

Accounting Method and Use of Estimates

The financial statements of the Organization have been prepared on the accrual basis. 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, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ from the estimates and assumptions used. Estimates were used in valuing donated goods, allocating expenses and determining lives of fixed assets.

The stated book value of all assets is assumed to be their fair value. This assumption was based on the current low interest rates and the brief time for receivables to be collected.

PALMER DRUG ABUSE PROGRAM--McALLEN, INC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents are comprised of petty cash funds, cash in demand accounts at local banks and certificates of deposit with an original maturity of no more than three months.

Financial Statement Presentation

Under Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations, the Organization is required to report information regarding its financial position and activities according to the nature of its net assets. All of the Organization's net assets are classified either as unrestricted or temporarily restricted. In addition, the Organization is required to present a statement of cash flows.

Contributions

In accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Revenue Recognition

Unless specifically restricted by the donor, all contributions are considered to be available for unrestricted use. Unrestricted contributions are recognized as income when received. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contribution restrictions that are met in the year the contribution is received are included with unrestricted contributions.

PALMER DRUG ABUSE PROGRAM--McALLEN, INC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Goods and Services

Because there is no objective basis available to measure the value of donated services, the reflection of donated services in the accompanying financial statements has been limited. Nevertheless, a substantial number of volunteers have donated significant amounts of their time to the Organization's program services and its fund-raising campaigns.

Goods are valued at their estimated fair value.

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Furniture and Equipment

Items with a value of at least \$500 and an expected life of three or more years are capitalized. Purchased furniture and equipment are stated at cost. Contributed furniture and equipment are stated at estimated fair market value on the date of contribution. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture	5 - 7 years
Office Equipment	5 - 7 years
Used Office Equipment	3 - 5 years
Transportation Equipment	5 years

PALMER DRUG ABUSE PROGRAM--McALLEN, INC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

Buildings and Land

Buildings, improvements, and land are stated at cost. Land improvements are stated at the cost to the donor. Depreciation on buildings and improvements is computed on the straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years. The land improvement is depreciated using the straight-line method based on its anticipated useful life of 20 years.

Note 3 - Accounts Receivable

Accounts receivable at December 31 consist of the following:

	<u>2008</u>	<u>2007</u>
L & F Distributors	\$ 1,000	\$ -
McAllen ISD	-	3,176
Wells Fargo	800	1,925
Bike Fest	750	-
Marathon Peak Performance	12,000	1,057
Other	<u>868</u>	<u>650</u>
	<u>\$ 15,418</u>	<u>\$ 6,808</u>

Receivables not deemed collectible by management are charged off annually.

Note 4 - Bingo Investment

The charities participating in the unit accounting agreement that became effective August 1, 2006 are required to rotate between halls. Equipment with a book value of approximately \$1,545 was transferred to the unit in accordance with the formation agreement.

At December 31, 2007, PDAP's designated hall was Americana. Due to an excess distribution in 2007, the investment at December 31, 2007 was only \$13,826. During 2008, PDAP was rotated into and out of Triple City. At December 31, 2008, PDAP's investment was at El Bingo Grande. The investment in El Bingo Grande was returned in January 2009. State regulations limit the distributions that can be made on a quarterly basis. In January 2009, the final distribution from El Bingo Grande was made to PDAP for the earnings during the fourth quarter of 2008.

PALMER DRUG ABUSE PROGRAM--McALLEN, INC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

Note 4 - Bingo Investment (Continued)

Components of the investment in bingo at December 31, 2008 are as follows:

Original cash investment in El Bingo Grande	\$ 15,000
Undistributed earnings	<u>6,448</u>
	<u>\$ 21,448</u>

Note 5 - Furniture, Fixtures, and Equipment

Automobiles, furniture, fixtures, and equipment at December 31 consist of the following:

	<u>2008</u>	<u>2007</u>
Transportation Equipment	\$ 14,976	\$ 14,976
Furniture and Fixtures	7,178	7,178
Equipment	<u>9,667</u>	<u>14,598</u>
	31,821	36,752
Less: Accumulated Depreciation	<u>(30,875)</u>	<u>(36,415)</u>
	<u>\$ 946</u>	<u>\$ 337</u>

Depreciation expense on furniture, fixtures, and equipment used in operations was approximately \$391 for 2008 and \$491 for 2007.

Note 6 - Buildings and Land

Buildings and land at December 31 consist of the following:

	<u>2008</u>	<u>2007</u>
Buildings	\$ 18,133	\$ 18,133
Building Improvements	22,807	24,521
Land	127,667	127,667
Land Improvements	<u>2,908</u>	<u>2,463</u>
	171,515	172,784
Less: Accumulated Depreciation	<u>(19,480)</u>	<u>(18,593)</u>
	<u>\$ 152,035</u>	<u>\$ 154,191</u>

PALMER DRUG ABUSE PROGRAM--McALLEN, INC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

Note 6 - Buildings and Land (Continued)

Depreciation expense for buildings and improvements for 2008 and 2007 was \$1,526 and \$1,439 respectively. No interest was capitalized.

Land improvements included approximately \$445 of construction in progress at December 31, 2008. The construction of this improvement, a fence, was completed in the subsequent period.

The amount reflected as other loss was the book value of an improvement to the building that is no longer in use.

Note 7 - Temporarily Restricted Assets

Temporarily restricted assets are those invested in the bingo fund-raising activity. Regulations stipulate the cash balances required for bingo operations. Also, an agreement with the other charities requires that distributions be equalized. Revenue is reflected net of the equalization payments.

Note 8 - Fund-raising Events

Fund-raising events include the following:

<u>Event</u>	<u>Revenue and Support</u>	<u>Expenses</u>	<u>Net</u>	
			<u>2008</u>	<u>2007</u>
Bingo	\$ 26,212	\$ 3,023	\$ 23,189	\$ 20,777
Beach Ball	144,059	77,586	66,473	51,265
Golf Tournament	63,443	40,229	23,214	25,260
Evening of Giving	<u>954</u>	<u>286</u>	<u>668</u>	<u>1,551</u>
	<u>\$ 234,668</u>	<u>\$ 121,124</u>	<u>\$ 113,544</u>	<u>\$ 98,853</u>

Fund-raising expenses for 2008 and 2007 were approximately \$186,573 and \$200,937, respectively.

PALMER DRUG ABUSE PROGRAM--McALLEN, INC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

Note 9 - Service Fees

Service fees were earned in accordance with an agreement with McAllen Independent School District. The agreement requires a counselor to be on a specified campus 20 hours each week during the school year and to counsel referrals at the Organization's office as requested.

The South Texas Drug Free Youth Leadership Conferences were held for middle and high school students. The purpose of the conferences was to empower student leaders to encourage their peers in violence, alcohol, tobacco, and other drug prevention. The conferences also serve as a fund-raiser for the Organization. Accordingly, total costs of approximately \$23,456 have been allocated equally between program costs and fund-raising.

One hundred twenty-seven and 143 students from 19 and 17 campuses attended in 2008 and 2007 respectively. Registration fees were \$31,675, sponsors funded \$3,250 of costs for the conferences and expenses amounted to \$23,456 in 2008. Hence, a net of \$11,469 was provided in 2008. Revenue and support for the 2007 conferences were \$38,200 and expenses were \$23,414 with net proceeds of \$14,786.

Note 10 - Concentrations and Related Party Disclosure

Members of the board, management, and employees together with their families and related entities made donations to the Organization in cash and various items for use in operations. The estimated value of these donations was \$29,220 and \$34,878 for 2008 and 2007 respectively. Balances at related party financial institutions were \$51,418 and \$112,257 at December 31, 2008 and 2007 respectively.

Advertising and promotional expenses were \$22,199 and \$23,730 for 2008 and 2007 respectively. Seven thousand six hundred and \$22,700 respectively of advertising was provided as an in-kind donation from related parties for 2008 and 2007. All expenditures for advertising were expensed in the year incurred.

Hidalgo County United Way made annual unrestricted donations of \$84,700 and \$83,160 for 2008 and 2007 respectively. These donations represented a concentration of funding.

PALMER DRUG ABUSE PROGRAM--McALLEN, INC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

Note 11 - In-Kind Contributions

The Organization received numerous donations of equipment, supplies, and materials consumed in operations and fund-raising activities. These items were recorded at the value assigned by the donor or an estimate based on recent purchases of comparable items if the donor did not provide an estimated value.

The Organization was granted the privilege of receiving food from the Food Bank of the Rio Grande Valley, Inc (the Food Bank). The Food Bank is a not-for-profit entity that receives donated food and allows qualifying individuals and entities to obtain food by paying in some instances only a maintenance fee of ten cents per pound. No estimated value was assigned to the items received from the Food Bank.

In-kind donations for 2008 were valued at \$73,367 and \$101,171 for 2007. Donated services were valued at approximately \$1,872 in 2007. No recordable donated services were received in 2008.

Note 12 - Subsequent Events

In the subsequent period, a new executive director began, as did conducting Driving While Intoxicated classes and a grant writing agreement with the University of Texas Pan American.

Funding provided by the No Child Left Behind Act under Title IV, Part A for Safe and Drug Free Schools was terminated effective August 31, 2009. Hence, Region One Education Service Center will not be able to sponsor students to the South Texas Drug Free Youth Leadership Conference described in Note 9. A decision has not been made if the format of the conference will be changed or if this program will be terminated.