

SAMARITAN RECOVERY COMMUNITY, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

FOR THE YEAR END JUNE 30, 2013

SAMARITAN RECOVERY COMMUNITY, INC.

TABLE OF CONTENTS

Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7
Supplemental Information	
Schedule of Expenditures of Grant Awards and Government Contracts	13
Notes to the Schedule of Expenditures of Grant Awards and Government Contracts	15
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 <i>Government Auditing Standards</i>	16
Schedule of Findings and Responses	18
Summary Schedule of Prior Audit Findings	20



Joel D. Collum, Jr.
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Samaritan Recovery Community, Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of Samaritan Recovery Community, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Samaritan Recovery Community, Inc. as of June 30, 2013, and the changes in its net assets and its

cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

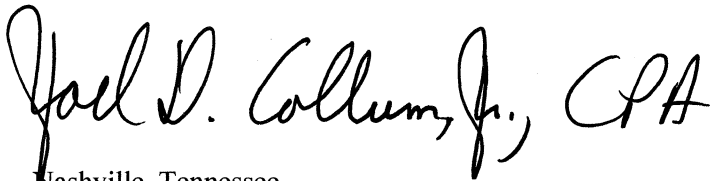
Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of grant awards and government contracts, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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*, I have also issued my report dated December 4, 2013, on my consideration of Samaritan Recovery Community, Inc.'s internal control over financial reporting and on my 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 my 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 Samaritan Recovery Community, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Joel D. Callum, Jr., CPA". The signature is written in a cursive, flowing style.

Nashville, Tennessee
December 4, 2013

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

Current Assets:

Cash	\$ 272,069
Investments	1,048,263
Grants receivable	63,617
Accounts receivable	59,178
Prepaid expenses and other	<u>18,759</u>
Total Current Assets	<u>1,461,886</u>

Property and Equipment:

Property and equipment, at cost, net of accumulated depreciation	<u>1,365,910</u>
---------------------------------------------------------------------	------------------

Other Assets:

Utility deposits	1,184
Restricted deposits	<u>2,675</u>
Total Other Assets	<u>3,859</u>
Total Assets	<u><u>\$ 2,831,655</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 7,871
Accrued expenses	<u>89,614</u>
Total Current Liabilities	<u>97,485</u>

Net Assets

Unrestricted	<u>2,734,170</u>
Total Net Assets	<u>2,734,170</u>
Total Liabilities and Net Assets	<u><u>\$ 2,831,655</u></u>

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

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Government grants	\$ 974,983	\$ -	\$ 974,983
Government contracts	541,614	-	541,614
United Way	118,011	-	118,011
Program service fees	200,235	-	200,235
Managed care providers	37,156	-	37,156
Contributions	8,409	-	8,409
Rents	72,633	-	72,633
Special events	1,025	-	1,025
Loss on disposition of property and equipment	(123)	-	(123)
Sales to public	1,256	-	1,256
Investment income	80,573	-	80,573
Other	3,070	-	3,070
	<u>2,038,842</u>	<u>-</u>	<u>2,038,842</u>
Total Support and Revenue			
	<u>2,038,842</u>	<u>-</u>	<u>2,038,842</u>
Expenses:			
Program services:			
Intensive Residential	658,244	-	658,244
Transitional Living	562,329	-	562,329
Co-Occuring Track	187,484	-	187,484
Supportive Housing	204,986	-	204,986
Non-Residential Programs	76,313	-	76,313
Management and general	246,152	-	246,152
Shelby Court	118,136	-	118,136
	<u>2,053,644</u>	<u>-</u>	<u>2,053,644</u>
Total expenses			
	<u>2,053,644</u>	<u>-</u>	<u>2,053,644</u>
Change in net assets	(14,802)	-	(14,802)
Net assets - beginning of year	2,748,972	-	2,748,972
Net assets - end of year	<u>\$2,734,170</u>	<u>\$ -</u>	<u>\$ 2,734,170</u>

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

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services					Support Services				
	Intensive Residential	Transitional Living	Co-Occurring Track	Supportive Housing	Non-Residential Programs	Total Treatment Programs	Management and General	Shelby Court	Total Support	Total All Funds
Salaries	\$ 344,817	\$ 269,452	\$ 117,036	\$ 47,981	\$ 46,111	\$ 825,397	\$ 54,961	\$ 31,248	\$ 86,209	\$ 911,606
Employee health insurance	52,826	41,755	18,750	7,430	7,139	127,900	8,547	2,879	11,426	139,326
Employee retirement	6,267	2,648	2,261	2,224	123	13,523	2,030	-	2,030	15,553
Payroll taxes	30,489	24,028	10,335	4,125	3,973	72,950	4,540	3,878	8,418	81,368
	434,399	337,883	148,382	61,760	57,346	1,039,770	70,078	38,005	108,083	1,147,853
Professional fees	86,974	84,833	37,009	1,303	7,911	218,030	74,469	10,165	84,634	302,664
Supplies and general	63,770	63,704	-	1,405	3,439	132,318	874	392	1,266	133,584
Telephone	2,023	2,023	-	3,950	1,383	9,379	1,295	105	1,400	10,779
Postage and shipping	356	356	-	-	-	712	-	225	225	937
Occupancy	46,669	46,696	2,093	129,632	5,960	231,050	18,113	54,005	72,118	303,168
Equipment rental										
and maintenance	8,537	8,536	-	469	-	17,542	-	-	-	17,542
Printing and publications	263	263	-	260	-	786	-	-	-	786
Travel	4,586	4,586	-	-	74	9,246	-	841	841	10,087
Conferences and meetings	1,984	2,075	-	-	-	4,059	-	-	-	4,059
Membership dues	5,083	5,083	-	3,549	62	13,777	250	-	250	14,027
Miscellaneous	3,600	6,291	-	2,304	-	12,195	129	2,655	2,784	14,979
Depreciation	-	-	-	354	138	492	80,944	11,743	92,687	93,179
Total Expenses	\$ 658,244	\$ 562,329	\$ 187,484	\$ 204,986	\$ 76,313	\$ 1,689,356	\$ 246,152	\$ 118,136	\$ 364,288	\$ 2,053,644

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

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (14,802)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	93,179
(Gain) loss on investments	(52,139)
(Gain) loss on disposition of property and equipment	123
(Increase) decrease in:	
Grants receivable	(63,617)
Accounts receivable	(14,118)
Prepaid expenses and other current assets	(5,298)
Restricted deposit	(200)
Increase (decrease) in:	
Accounts payable	713
Accrued expenses	14,094
Net Cash Provided (Used) by Operating Activities	<u>(42,065)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(51,620)
Purchase of investments	(441,855)
Proceeds from the sale of investments	<u>47,349</u>
Net Cash Provided (Used) by Investing Activities	<u>(446,126)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net Cash Provided (Used) by Financing Activities	<u>-</u>
Net Increase (Decrease) in Cash	(488,191)
Cash - Beginning of Year	<u>760,260</u>
Cash - End of Year	<u><u>\$ 272,069</u></u>

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

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

Samaritan Recovery Community, Inc. (the Organization), a non-profit organization, is involved in the treatment of chemical dependency (alcohol and drug addition). All programs are conducted on-premises except for supportive housing.

Basis of Accounting:

A significant part of the Samaritan Recovery Community Inc.'s support is derived from government grants and contracts. Contributions by grantors for specific purposes are reported as support in the period a liability is incurred for expenditures in compliance with specific grant requirements. Such amounts received but not yet recognized are reported as deferred revenue. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization currently has no temporarily restricted net assets.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization currently has no permanently restricted net assets.

Functional Allocation of Expenses:

The costs of providing the various programs 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.

Estimates:

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

Cash Equivalents:

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

Property and Equipment:

The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$500. Property and equipment is recorded at cost at the date of purchase. Donated property and equipment are recorded at their fair value at the date of the donation. Certain property and equipment have been purchased in part or in full with grant funds, and to that extent, The State of Tennessee retains a reversionary interest in these assets in the event of their disposition. Depreciation is calculated by the straight-line method over the useful lives of the respective assets as follows:

Land improvements	5 years
Buildings	5 - 31.5 years
Vehicles	5 years
Furniture and equipment	5 - 12 years

Accounts receivable and allowance for doubtful accounts:

It is the policy of the Organization to record accounts receivable when the amount becomes known. Management considers all receivables as of June 30, 2013 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

2. FEDERAL INCOME TAX STATUS

The Organization has been determined by the Internal Revenue Service to be exempt from federal income tax under section 501 (c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Accordingly, the financial statements do not reflect a provision for income taxes.

3. FUNDING AND CONCENTRATION

The Organization receives a major portion of the funds that it uses to conduct its programs from Tennessee Department of Mental Health and Substance Abuse Services grants and contracts and the United Way of Metropolitan Nashville. A major reduction of funds from one of the grants or contracts, should this occur, would have a material effect on the programs and the financial position of the Organization.

4. PROPERTY AND EQUIPMENT

Land and improvements	\$ 497,480
Buildings	2,076,996
Vehicles	86,387
Furniture and equipment	282,133
	<hr/> 2,942,996
Less: Accumulated depreciation	(1,577,086)
	<hr/> <u>\$ 1,365,910</u>
Depreciation for the year	<hr/> <u>\$ 93,179</u>

5. MANAGEMENT AGREEMENT

The Organization entered into a management agreement with XMI Holdings, Inc. effective December 1, 2010 for the management of the Organization. The management fee is computed based on a percentage of monthly net revenues. The management fee for the year was \$227,670.

6. EMPLOYEE COSTS

Included in the management agreement is an employee leasing agreement for all of the employees of the Organization. The Organization reimburses the management company the actual cost of the of the payroll plus a minor service fee. The costs of salaries, payroll taxes and other benefits are shown in the financials as though they were paid directly by the Organization.

The leasing arrangement includes a 401(k) plan for all eligible Organization employees. Employees may contribute up to 15% of their compensation and the Organization will contribute one dollar for every dollar of employee contributions up to 5% of the employee's salary. Employer contributions vest periodically based on length of participation in the plan. The total expense for the year under this plan was \$15,553.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

7. CONCENTRATION OF CREDIT RISK

The Organization maintains accounts at two commercial banks. At June 30, 2013, the excess over the Federal Deposit Insurance Corporation amount of \$250,000 was \$-0-. Management considers the risk to be minimal.

8. COMMITMENTS

The Organization leases three buildings that are used in its Supportive Housing program on a month to month basis for \$9,239 per month.

The Organization has a 36 month lease for office equipment. The lease began on January 28, 2011 and will expire January 28, 2014. The lease has a fixed payment of \$224 per month.

The Organization has a 60 month lease for office equipment. The lease began on February 9, 2010 and will expire on February 9, 2015. The lease has a fixed payment of \$116 per month.

The total rent paid on the building leases for the year ended June 30, 2013 amounted to \$106,371

The total rent paid on the office equipment leases for the year ended June 30, 2013 amounted to \$4,079.

Future minimum rental payments required are as follows:

Year ended June 30,	Amount
2014	\$ 3,181
2015	924
2016	-
2017	-
2018	-
Total	<u>\$ 4,105</u>

9. CONCENTRATION

The Organization receives support from the Tennessee Department of Mental Health and Substance Abuse Services under one grant agreement and four contracts. This represents approximately 74.4% of the Organization's total support and revenue.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 18, 2013 which is the date the financial statements were available to be issued.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

11. UNCERTAINTY IN INCOME TAXES

Accounting principals generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization's Executive Director has analyzed tax positions taken and has concluded that as of June 30, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however the Organization's management believes that it is not longer subject to income tax examinations for years prior to June 30, 2009.

12. INVESTMENTS

Investment securities are carried at fair value based on quoted prices in active markets (all Level 1) and consist of the following at June 30, 2013:

	Cost	Fair Value
Municipal Bonds	\$ 42,190	\$ 41,630
Corporate Bonds	317,978	302,044
Mutual Funds - Equity	414,697	480,284
Mutual Funds - Balanced Funds	10,000	10,971
Preferred Stock	12,515	13,235
Common Stock	15,679	22,384
Other Fixed Income Investments	144,393	142,767
Alternative Investments	39,339	34,948
	<u>\$ 996,791</u>	<u>\$ 1,048,263</u>

Total investment gain (loss) relating to marketable securities and instruments consist of the following:

Interest income	\$ 13,718
Dividend income	14,716
Realized gain (loss)	5,682
Unrealized gain (loss)	46,457
	<u>\$ 80,573</u>

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

13. FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statement of net

Fair Value Measurements at June 30, 2013 Using				
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Municipal Bonds	\$ 41,630	\$ 41,630	\$ -	\$ -
Corporate Bonds	302,044	302,044	-	-
Mutual Funds - Equity	480,284	480,284	-	-
Mutual Funds - Balanced	10,971	10,971	-	-
Preferred Stock	13,235	13,235	-	-
Common Stock	22,384	22,384	-	-
Other Fixed Inc. Invest.	142,767	142,767	-	-
Alternative Investments	34,948	34,948	-	-
	<u>\$ 1,048,263</u>	<u>\$ 1,048,263</u>	<u>\$ -</u>	<u>\$ -</u>

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Organization uses the appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they provide the most reliable evidence of fair value. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements - The fair value of the investments are based the closing price reported on the active market where the securities are traded.

Level 2 Fair Value Measurements - The fair value of the investments are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly, or indirectly.

Level 3 Fair Value Measurements - The fair value of the investments are based on at least one significant unobservable input.

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF EXPENDITURES OF GRANT AWARDS AND GOVERNMENT CONTRACTS
FOR THE YEAR ENDED JUNE 30, 2013

Agency	Program Name	CFDA Number	Grant Period	Contract Number	Receivable 6/30/2012	Receipts	Expenditures	Receivable 6/30/2013
<u>State Awards:</u>								
State of Tennessee, Department of Mental Health and Substance Abuse Services	Adult Continuum of Care (Block Grant)	N/A	7/1/2012 - 6/30/2013	GR1338645	\$ -	\$ 911,366	\$ 974,983	\$ 63,617
<hr/>								
Total State Awards					\$ -	\$ 911,366	\$ 974,983	\$ 63,617

Government Contracts:

U. S. Department of Health and
and Human Services Pass Through:

State of Tennessee, Department of Mental Health and Substance Abuse Services	Additions Recovery Program	93.959	7/1/2011 - 6/30/2012	DP-1234959	\$ 1,995	\$ 1,995	\$ -	-
<hr/>								
State of Tennessee, Department of Mental Health and Substance Abuse Services	Additions Recovery Program	93.959	7/1/2012 - 6/30/2013	DP-1338211	-	16,500	18,000	1,500
<hr/>								
Total Pass Through Support					\$ 1,995	\$ 18,495	\$ 18,000	\$ 1,500

State of Tennessee:

State of Tennessee,
Department of Mental Health
and Substance Abuse Services

Alcohol and Drug
Addiction Treatment for
Indigent Driving Under the
Influence Offenders

N/A 7/1/2011 - 6/30/2012 Edison # 25728 \$ 34,778 \$ 34,778 \$ -

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF EXPENDITURES OF GRANT AWARDS AND GOVERNMENT CONTRACTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

Agency	Program Name	CFDA Number	Grant Period	Contract Number	Receivable 6/30/2012	Receipts	Expenditures	Receivable 6/30/2013
<u>Government Contracts:</u>								
(Continued)								
State of Tennessee, Department of Mental Health and Substance Abuse Services	Alcohol and Drug Addiction Treatment for Indigent Driving Under the Influence Offenders (ADAT-DUI)	N/A	7/1/2012 - 6/30/2013	Edison # 30801	-	340,300	370,976	30,676
State of Tennessee, Department of Mental Health and Substance Abuse Services	Alcohol and Drug Addiction Treatment for Indigent Supervised Probation Offender Treatment (ADAT-SPOT)	N/A	7/1/2012 - 6/30/2013	Edison # 30800	-	29,724	29,724	-
State of Tennessee, Department of Mental Health and Substance Abuse Services	BOPP Community Treatment Collaborative	N/A	7/1/2011 - 6/30/2012	Edison # 26098	4,015	4,015	-	-
State of Tennessee, Department of Mental Health and Substance Abuse Services	Tennessee Department of Corrections Community Treatment Collaborative	N/A	7/1/2012 - 6/30/2013	Edison # 30802	-	85,426	99,995	14,569
Other miscellaneous contracts					-	3,440	3,440	-
Total State Funding					\$ 38,793	\$ 497,683	\$ 504,135	\$ 45,245
Total Government contracts					\$ 40,788	\$ 516,178	\$ 522,135	\$ 46,745

Please see the independent auditor's report.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF GRANT AWARDS AND
GOVERNMENT CONTRACTS
JUNE 30, 2013

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of grant awards and government contracts summarizes the expenditures of the Organization under grants and contracts of the state government for the year ended June 30, 2013. The schedule is presented on the accrual basis of accounting. Some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.



Joel D. Collum, Jr.
Certified Public Accountant

**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**

To the Board of Trustees of
Samaritan Recovery Community, Inc.

I 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 Samaritan Recovery Community, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 4, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Samaritan Recovery Community, 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Samaritan Recovery Community, Inc.'s internal control. Accordingly, I 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 a 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.

My consideration of the 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that I consider to be a significant deficiency (Item 13-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Samaritan Recovery Community, Inc.'s financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my

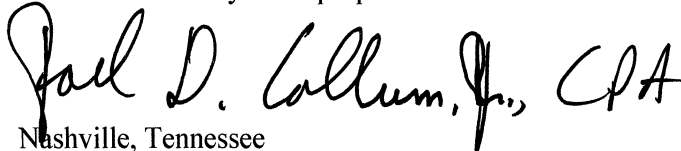
tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Samaritan Recovery Community, Inc.'s Response to Findings

Samaritan Recovery Community, Inc.'s response to the finding identified in my audit is described in the accompanying schedule of findings and responses. Samaritan Recovery Community, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

A handwritten signature in black ink that reads "Joel D. Callum, Jr., CPA". The signature is written in a cursive, flowing style.

Nashville, Tennessee
December 4, 2013

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

PART I - SUMMARY OF AUDITORS' RESULTS

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified not
considered to be material weaknesses? ☒ Yes ☐ None reported
3. Noncompliance material to financial statements noted? ☐ Yes ☒ No

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF FINDINGS AND RESPONSES -CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

PART II – FINDINGS AND QUESTIONED COST REPORTED IN ACCORDANCE WITH
GENERALLY ACCEPTED GOVERNMENT AUDITING PROCEDURES

Finding - 13-01 - CASH RECEIPTS

Samaritan collects money from clients for rent, assessments and fees. During the test of cash receipts it was noted that some of the money collected was not deposited in a timely manner. Samaritan has worked diligently to correct this issue. Many of the deposits tested two years ago had money that was not deposited in a timely manner. This year only three of the twenty-five deposits tested had money that was not deposited in a timely manner.

Recommendation

State law requires that all money be deposited within three business days of receipt. The personnel that collect money from the clients should be instructed on the importance of getting all money to the administrative office as soon as it is received so that it can be deposited within three business days.

Management Response

Management concurs with the finding and has instructed all personnel who collect money on the importance of getting the money to the administrative office as soon as it is received. Management also wants to point out that there were a total of 2,250 receipts written during the audit period. In light of that many receipts being written, and to monitor this area of operations more closely, management has implemented a procedure where the date of each receipt is reviewed by the administrative office to determine if any money is not deposited in a timely manner. If a receipt included in a deposit is not deposited timely, that receipt is recorded in a log by the accounting administrator. The log is reviewed periodically by management to determine if there are any patterns or trends in regard to specific employees turning in receipts on time

SAMARITAN RECOVERY COMMUNITY, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2013

Prior year audit finding 12-01, dealing with depositing money in a timely manner is a repeat finding.