

SAMARITAN RECOVERY COMMUNITY, INC.
(A TENNESSEE CORPORATION - NOT-FOR-PROFIT)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

(Together with Independent Auditor's Report)

SAMARITAN RECOVERY COMMUNITY, INC.

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INDEPENDENT AUDITOR'S REPORT

**To the Comptroller of the Treasury
State of Tennessee, and
To the Board of Directors
Samaritan Recovery Community, Inc.
Nashville, Tennessee**

I have audited the accompanying statement of financial position of Samaritan Recovery Community, Inc. (a Tennessee Corporation – Not For Profit) as of June 30, 2005 and the related statements of activities and changes in net assets, functional expenses and statement of cash flows for the year then ended. These financial statements are the responsibility of the Company'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 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 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 Samaritan Recovery Community, Inc. as of June 30, 2005, and the results of its operations and changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 20, 2005 on my consideration of Samaritan Recovery Community Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

December 20, 2005



DAVID P. GUENTHER

SAMARITAN RECOVERY COMMUNITY, INC.
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005

ASSETS

	UNRESTRICTED FUNDS		
	GENERAL	LAND AND BUILDING	TOTAL ALL FUNDS
Current assets:			
Cash on hand and in banks	\$ 650,867	\$ -	\$ 650,867
Certificates of deposit	600,000	-	600,000
Accounts receivable, no allowance necessary	17,998	-	17,998
Interest receivable	24,313	-	24,313
Grant funds receivable	6,280	-	6,280
Prepaid expenses	31,309	-	31,309
Total current assets	<u>\$ 1,330,767</u>	<u>\$ -</u>	<u>\$ 1,330,767</u>
Fixed assets:			
Land	\$ -	\$ 157,480	157,480
Buildings	-	1,954,260	1,954,260
Vehicles	-	75,809	75,809
Equipment & furniture	-	206,471	206,471
	<u>\$ -</u>	<u>\$ 2,394,020</u>	<u>\$ 2,394,020</u>
Less: Accumulated depreciation	-	1,001,559	1,001,559
Total fixed assets	<u>\$ -</u>	<u>\$ 1,392,461</u>	<u>\$ 1,392,461</u>
Other assets:			
Utility deposits	\$ 1,600	\$ -	\$ 1,600
Total other assets	<u>\$ 1,600</u>	<u>\$ -</u>	<u>\$ 1,600</u>
Total assets	<u><u>\$ 1,332,367</u></u>	<u><u>\$ 1,392,461</u></u>	<u><u>\$ 2,724,828</u></u>

The accompanying notes to financial statements are an integral part of this statement.

LIABILITIES AND NET ASSETS

UNRESTRICTED FUNDS

	GENERAL	LAND AND BUILDING	TOTAL ALL FUNDS
Current liabilities:			
Accounts payable	\$ 20,552	\$ -	\$ 20,552
Accrued expenses	67,156	-	67,156
Total current liabilities	\$ 87,708	\$ -	\$ 87,708
Unrestricted net assets:	1,244,659	1,392,461	2,637,120
Total liabilities and net assets	\$ 1,332,367	\$ 1,392,461	\$ 2,724,828

SAMARITAN RECOVERY COMMUNITY, INC.
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

Public support and revenue:

Public support:

Contributions	\$ 10,210
Special events	660
United Way	169,760
Government grants	1,095,210
Other fees and grants	70,271
Total public support	\$ <u>1,346,111</u>

Revenue:

Program service fees	\$ 168,839
Managed care providers	36,349
Sales to public	1,619
Investment income	19,965
Miscellaneous revenues	67,604
Total revenues	\$ <u>294,376</u>
Total public support and revenue	\$ <u>1,640,487</u>

Expenses:

Intensive Residential	\$ 486,595
Transitional Living	492,701
Management & general	112,654
MDHA	39,124
Midas	180,774
Supportive Housing	210,769
Department of Correction	252
Building	74,090
Shelby Court	87,679
Project Return	2,146
Intensive Outpatient	2,310
Total expenses	\$ <u>1,689,094</u>

Decrease in unrestricted net assets	\$ (48,607)
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Net assets at beginning of year	<u>2,685,727</u>
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Net assets at end of year	\$ <u><u>2,637,120</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

SAMARITAN RECOVERY COMMUNITY, INC.
(A TENNESSEE CORPORATION-NOT FOR PROFIT)
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

	INTENSIVE RESIDENTIAL	TRANSITIONAL LIVING	MANAGEMENT & GENERAL	MDHA	MIDAS	SUPPORTIVE HOUSING
Compensation expense:						
Salaries	\$ 234,138	\$ 230,199	\$ 32,458	\$ 30,414	\$ 122,386	\$ 59,969
Employee benefits	39,219	37,017	5,809	5,357	16,063	9,228
Payroll taxes	20,842	20,704	2,795	2,607	10,866	5,400
Total compensation expense	<u>\$ 294,199</u>	<u>\$ 287,920</u>	<u>\$ 41,062</u>	<u>\$ 38,378</u>	<u>\$ 149,315</u>	<u>\$ 74,597</u>
Other expenses:						
Professional fees	\$ 73,410	\$ 73,362	\$ 53,787	\$ 746	\$ 30,836	\$ 780
Supplies and general	52,628	52,629	1,078	-	-	126
Telephone	2,533	2,533	1,229	-	-	5,157
Postage and shipping	426	426	-	-	-	-
Occupancy expense	41,783	41,784	15,498	-	623	123,307
Equipment rental & maintenance	7,561	7,594	-	-	-	335
Printing & publications	1,645	1,645	-	-	-	575
Travel	2,466	2,466	-	-	-	322
Conferences and meetings	2,679	2,679	-	-	-	1,373
Membership dues	6,808	6,777	-	-	-	2,678
Miscellaneous	457	12,886	-	-	-	-
Depreciation	-	-	-	-	-	1,519
Total other expenses	<u>\$ 192,396</u>	<u>\$ 204,781</u>	<u>\$ 71,592</u>	<u>\$ 746</u>	<u>\$ 31,459</u>	<u>\$ 136,172</u>
Total expenses	<u><u>\$ 486,595</u></u>	<u><u>\$ 492,701</u></u>	<u><u>\$ 112,654</u></u>	<u><u>\$ 39,124</u></u>	<u><u>\$ 180,774</u></u>	<u><u>\$ 210,769</u></u>

The accompanying notes to financial statements are an integral part of this statement.

DEPT. OF CORRECTIONS	PROJECT RETURN	INTENSIVE OUTPATIENT	TOTAL PROGRAMS	LAND AND BUILDING	SHELBY COURT	TOTAL ALL PROGRAMS
\$ 224	\$ 1,800	\$ -	\$ 711,588	\$ -	\$ 11,424	\$ 723,012
6	139	-	112,838	-	1,085	113,923
17	166	-	63,397	-	1,431	64,828
<u>\$ 247</u>	<u>\$ 2,105</u>	<u>\$ -</u>	<u>\$ 887,823</u>	<u>\$ -</u>	<u>\$ 13,940</u>	<u>\$ 901,763</u>
\$ 5	\$ 41	\$ 2,310	\$ 235,277	\$ -	\$ 4,522	\$ 239,799
-	-	-	106,461	-	441	106,902
-	-	-	11,452	-	-	11,452
-	-	-	852	-	37	889
-	-	-	222,995	-	57,977	280,972
-	-	-	15,490	-	-	15,490
-	-	-	3,865	-	-	3,865
-	-	-	5,254	-	-	5,254
-	-	-	6,731	-	96	6,827
-	-	-	16,263	-	-	16,263
-	-	-	13,343	-	-	13,343
-	-	-	1,519	74,090	10,666	86,275
<u>\$ 5</u>	<u>\$ 41</u>	<u>\$ 2,310</u>	<u>\$ 639,502</u>	<u>\$ 74,090</u>	<u>\$ 73,739</u>	<u>\$ 787,331</u>
<u>\$ 252</u>	<u>\$ 2,146</u>	<u>\$ 2,310</u>	<u>\$ 1,527,325</u>	<u>\$ 74,090</u>	<u>\$ 87,679</u>	<u>\$ 1,689,094</u>

SAMARITAN RECOVERY COMMUNITY, INC.
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

Cash flows from operating activities:

Change in net assets	\$ (48,607)
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Adjustments to reconcile change in net assets to net cash provided by operating activities:

Depreciation	86,275
Increase in accounts receivable	(2,961)
Increase in interest receivable	(8,850)
Decrease in grant funds receivable	68,843
Decrease in prepaid expenses	5,970
Increase in accounts payable	9,921
Decrease in accrued liabilities	<u>(5,750)</u>

Net cash provided by operating activities	\$ <u>104,841</u>
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Cash flows from investing activities:

Purchase of property and equipment	\$ <u>(3,041)</u>
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Net cash used by investing activities	\$ <u>(3,041)</u>
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Net increase in cash	\$ 101,800
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Cash, beginning of year	<u>549,067</u>
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Cash, end of year	<u><u>\$ 650,867</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**SAMARITAN RECOVERY COMMUNITY, INC.
(A TENNESSEE CORPORATION – NOT FOR PROFIT)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(1) ACCOUNTING POLICIES:

Standards of Accounting and Financial Reporting – The Agency follows the “Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations” (Revised 1974). These standards are in conformity with the recommendations of the American Institute of Certified Public Accountants.

In accordance with these standards, all expenses are allocated into functional categories, dependent upon the ultimate purpose of the expenditure.

Land and Building Fund - Land, building, and equipment are stated at cost. Depreciation of fixed assets is calculated by the straight-line method over the estimated useful lives of the assets. Donated fixed assets are recorded at their fair market value at the date of donation. Certain fixed assets 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.

Estimates – The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of these financial instruments.

(2) ORGANIZATION & GENERAL

Samaritan Recovery Community, Inc. is involved in the treatment of chemical dependency (alcohol and drug addiction). All programs are conducted on-premises except for supportive housing. In March 1991, the Agency changed its name from Samaritans, Inc. to Samaritan Recovery Community, Inc.

(3) TAX STATUS:

The agency is a nonprofit voluntary health organization, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Contributions to the Agency qualify for the 50 percent charitable contributions limitation.

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(4) ACCOUNTS RECEIVABLE:

Accounts receivable are partially comprised of amounts due from Managed Care Organizations collectively known as TennCare for patient services. The total amount billed to these organizations during the year amounted to \$84,430 of which \$36,349 was either collected during the year or included in accounts receivable as of June 30, 2005. The balance of \$48,081 was written off as a contractual adjustment.

(5) EMPLOYEE COSTS:

Effective January 1, 1994, the Agency entered into an employee leasing arrangement with an unrelated third party, whereby all existing employees became employees of the third party, with the Agency reimbursing at actual cost plus a minor service fee. The costs of salaries, payroll taxes and other benefits are shown in the accompanying financial statements in the same manner in which they were shown previously.

As part of the leasing arrangement, a 401 (k) plan has been established for all eligible employees. Employees may contribute up to 15% of their compensation, and the agency will contribute 100 cents for every dollar of employee contributions for amounts up to 5 percent of salary. Employer contributions vest periodically based upon length of participation in the plan. Total expense for the year under this plan was \$16,385.

(6) SIGNIFICANT FUNDING SOURCES:

Samaritan Recovery Community, Inc. receives a major portion of its funds from State and Federal grants and contracts from United Way for the conduct of its programs. A major reduction of funds from one of the grantor agencies, should this occur, would have a material effect on the programs and the financial position of the Agency.

(7) CONCENTRATION OF CREDIT RISK:

Substantially all of the Agency's cash is deposited in accounts in four financial institutions. Funds amounting to \$203,596, \$200,000 and \$542,810 represent the amount on deposit in the institutions, which exceeds that which is covered by FDIC insurance. The Agency would potentially be at risk for the loss of these funds should any financial institution become insolvent. Management considers this risk to be minimal.

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(9) LEASES:

The agency leases 4 buildings used in its Supportive Housing program under leases which expired in March, 2005. Subsequent to the expiration of this lease, the agency continued to rent 3 of these buildings on a month-to-month basis. Total rental expense for the year under these leases amounted to \$100,785.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Comptroller of the Treasury
State of Tennessee, and
To the Board of Directors
Samaritan Recovery Community, Inc.
Nashville, Tennessee

I have audited the financial statements of Samaritan Recovery Community, Inc. as of and for the year ended June 30, 2005 and have issued my report thereon dated December 20, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Samaritan Recovery Community, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Samaritan Recovery Community, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting

Samaritan Recovery Community, Inc.
December 20, 2005
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that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the Comptroller of the Treasury, State of Tennessee, the Board of Directors, management and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'D. P. Guenther', with a stylized, sweeping flourish extending to the right.

December 20, 2005

DAVID P. GUENTHER

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**To the Comptroller of the Treasury
State of Tennessee, and
To the Board of Directors
Samaritan Recovery Community, Inc.
Nashville, Tennessee**

I have audited the compliance of Samaritan Recovery Community, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable of each of its major federal programs for the year ended June 30, 2005. Samaritan Recovery Community, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of Samaritan Recovery Community, Inc.'s management. My responsibility is to express an opinion on Samaritan Recovery Community, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Samaritan Recovery Community, Inc.'s compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Samaritan Recovery Community, Inc.'s compliance with those requirements.

In my opinion, Samaritan Recovery Community, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Samaritan Recovery Community, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Samaritan Recovery Community, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of the Comptroller of the Treasury, State of Tennessee, The Board of Directors, management and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

December 20, 2005

A handwritten signature in black ink, appearing to read 'David P. Guenther', with a stylized, sweeping flourish extending from the end.

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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL AND STATE AWARDS

**To the Comptroller of the Treasury,
State of Tennessee, and
To the Board of Directors
Samaritan Recovery Community, Inc.
Nashville, Tennessee**

I have audited the financial statements of Samaritan Recovery Community, Inc. (a Tennessee Corporation – Not For Profit) for the year ended June 30, 2005 and have issued my report thereon dated December 20, 2005. These financial statements are the responsibility of the management of Samaritan Recovery Community, Inc. 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 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.

My audit was made for the purpose of forming an opinion on the financial statement of Samaritan Recovery Community, Inc., taken as a whole. The accompanying Schedule of Federal and State Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information had been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

December 20, 2005


DAVID P. GUENTHER

SAMARITAN RECOVERY COMMUNITY, INC.
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
SCHEDULE OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

CFDA NUMBER	PROGRAM	BALANCE, JUNE 30, 2004	CASH RECEIPTS	TRANSFERS IN
FEDERAL				
TYPE A PROGRAMS				
93.959	Department of Health			
	GR-04-15578-01	\$ (70,300)	\$ 70,300	\$ -
	GR-05-16438-01	-	894,200	-
	Total 93.959	\$ (70,300)	\$ 964,500	\$ -
	Total Type A Programs	\$ (70,300)	\$ 964,500	\$ -
TYPE B PROGRAMS				
16.579	Department of Corrections			
	GR-03-14986-00	\$ (3,617)	\$ 3,617	\$ -
	Total 16.579	\$ (3,617)	\$ 3,617	\$ -
14.235	Department of Housing & Urban Development			
	TN37B204011	\$ -	\$ 52,500	\$ -
	Total 14.235	\$ -	\$ 52,500	\$ -
	Total Type B Programs	\$ (3,617)	\$ 56,117	\$ -
	Total Federal Funds	\$ (73,917)	\$ 1,020,617	\$ -
STATE				
N/A	Department of Corrections			
	GR-03-14986-00	\$ (1,206)	\$ 1,206	\$ -
N/A	Department of Health			
	DP-05-02174-00	-	23,930	-
	DP-05-02217-00	-	700	-
	GR-05-16438-01	-	117,600	-
	Total State Funds	\$ (1,206)	\$ 143,436	\$ -
	Total Grant Funds	\$ (75,123)	\$ 1,164,053	\$ -

The accompanying notes to financial statements are an integral part of this statement.

<u>OTHER ADDITIONS</u>	<u>EXPENDITURES</u>	<u>PAID TO GRANTOR</u>	<u>TRANSFERS OUT</u>	<u>OTHER DEDUCTIONS</u>	<u>BALANCE JUNE 30, 2005</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	894,200	-	-	-	-
<u>\$ -</u>	<u>\$ 894,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	894,200	-	-	-	-
<u>\$ -</u>	<u>\$ 894,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	894,200	-	-	-	-
<u>\$ -</u>	<u>\$ 894,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	52,500	-	-	-	-
<u>\$ -</u>	<u>\$ 52,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	52,500	-	-	-	-
<u>\$ -</u>	<u>\$ 52,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	946,700	-	-	-	-
<u>\$ -</u>	<u>\$ 946,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	-	-	-	-	-
-	30,210	-	-	-	(6,280)
-	700	-	-	-	-
<u>-</u>	<u>117,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	148,510	-	-	-	(6,280)
<u>\$ -</u>	<u>\$ 148,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,280)</u>
\$ -	1,095,210	-	-	-	(6,280)
<u><u>\$ -</u></u>	<u><u>\$ 1,095,210</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (6,280)</u></u>

**SAMARITAN RECOVERY COMMUNITY, INC.
(A TENNESSEE CORPORATION – NOT FOR PROFIT)
NOTES TO SCHEDULE OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

(1) ACCOUNTING POLICIES:

The books and records supporting the Schedule of Federal and State Awards are maintained on the accrual basis of accounting, whereby revenues are recorded as earned, and expenses are recorded as incurred.

**SAMARITAN RECOVERY COMMUNITY, INC.
(A TENNESSEE CORPORATION – NOT FOR PROFIT)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

(1) Summary of the auditor's results:

- (i) Type of independent auditor's report issued – unqualified.**
- (ii) Reportable conditions in internal control – none noted in the course of the audit.**
- (iii) Evidence of material noncompliance – none noted in the course of the audit.**
- (iv) Reportable conditions in internal control over major programs – unqualified.**
- (v) Type of report issued on compliance for major programs – unqualified.**
- (vi) Audit findings which are required to be reported under OMB Circular A-133, Sect. 510(a) – none.**
- (vii) Type A programs identified:**

CFDA#	Grantor Agency	Grant Number
93.959	Department of Health	GR-05-16438-01

- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$500,000**
- (ix) The auditee qualifies as a low-risk auditee under OMB Circular A-133, Sect. 530.**

- (2) Findings relating to the financial statement, which are required to be reported under Generally Accepted Governmental Auditing Standards – none.**
- (3) Findings and questioned costs for Federal awards including audit findings as defined under OMB Circular A-133, Sect. 510 – none.**