

SAMARITAN RECOVERY COMMUNITY, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS**

FOR THE YEAR END JUNE 30, 2010

SAMARITAN RECOVERY COMMUNITY, INC.

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BELLENFANT + MILES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Samaritan Recovery Community, Inc., as of June 30, 2010, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Samaritan Recovery Community, Inc., as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2010 on our consideration of Samaritan Recovery Community, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Samaritan Recovery Community, Inc. taken 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bellenfant & Miles, PLLC

September 20, 2010

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SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

Current Assets:

Cash	\$ 325,331
Certificates of deposit	692,863
Grants receivable	130,035
Accounts receivable	105,445
Interest receivable	3,550
Prepaid expenses and other	<u>17,364</u>
Total Current Assets	<u>1,274,588</u>

Property and Equipment:

Property and equipment, at cost, net of accumulated depreciation	<u>1,510,048</u>
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Other Assets:

Utility deposits	1,184
Restricted deposits	3,275
Intangible assets, net of accumulated amortization	<u>-</u>
Total Other Assets	<u>4,459</u>

Total Assets	<u><u>\$ 2,789,095</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 12,376
Accrued expenses	<u>108,368</u>
Total Current Liabilities	<u>120,744</u>

Net Assets

Unrestricted	<u>2,668,351</u>
Total Net Assets	<u>2,668,351</u>
Total Liabilities and Net Assets	<u><u>\$ 2,789,095</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, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Government grants	\$ 881,870	\$ -	\$ 881,870
Government contracts	533,877	-	533,877
United Way	118,011	-	118,011
Program service fees	241,339	-	241,339
Managed care providers	64,022	-	64,022
Contributions	10,484	-	10,484
Rents	84,694	-	84,694
Special events	865	-	865
Sales to public	103	-	103
Investment income	16,932	-	16,932
Other	6,014	-	6,014
	<u>1,958,211</u>	<u>-</u>	<u>1,958,211</u>
Expenses:			
Program services:			
Intensive Residential	560,371	-	560,371
Transitional Living	513,510	-	513,510
MIDAS	209,837	-	209,837
Supportive Housing	210,758	-	210,758
Wade Prince and Assoc.	186,090	-	186,090
Management and general	227,675	-	227,675
Shelby Court	81,185	-	81,185
	<u>1,989,426</u>	<u>-</u>	<u>1,989,426</u>
Change in net assets	(31,215)	-	(31,215)
Net assets - beginning of year	<u>2,699,566</u>	<u>-</u>	<u>2,699,566</u>
Net assets - end of year	<u><u>\$2,668,351</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,668,351</u></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, 2010

	Program Services					Support Services			
	Intensive Residential	Transitional Living	MIDAS	Supportive Housing	Wade Prince & Assoc.	Total Treatment Programs	Management and General	Shelby Court	Total Support
Salaries	\$ 268,795	\$ 231,760	\$ 137,193	\$ 67,517	\$ 89,896	\$ 795,161	\$ 45,491	\$ 15,244	\$ 60,735
Employee benefits	43,637	36,091	21,779	11,277	14,931	127,715	8,034	957	8,991
Payroll taxes	26,371	21,780	12,708	6,108	8,904	75,871	3,812	1,927	5,739
	338,803	289,631	171,680	84,902	113,731	998,747	57,337	18,128	75,465
Professional fees	87,549	86,689	36,523	1,771	25,311	237,843	64,435	6,862	71,297
Supplies and general	59,528	59,525	-	128	2,222	121,403	1,248	105	1,353
Telephone	4,702	4,702	-	3,080	3,599	16,083	2,367	-	2,367
Postage and shipping	496	452	-	-	143	1,091	-	132	132
Occupancy	46,756	46,692	1,634	117,450	34,803	247,335	16,684	44,538	61,222
Equipment rental									
and maintenance	10,705	10,497	-	80	406	21,688	-	-	-
Printing and publications	608	608	-	-	79	1,295	-	-	-
Travel	3,739	3,917	-	-	680	8,336	-	-	-
Conferences and meetings	1,739	1,739	-	299	656	4,433	-	-	-
Membership dues	4,892	4,892	-	3,048	325	13,157	-	-	-
Miscellaneous	854	4,166	-	-	-	5,020	-	(42)	(42)
Depreciation	-	-	-	-	4,135	4,135	70,076	11,462	81,538
Amortization	-	-	-	-	-	-	15,528	-	15,528
Total Expenses	\$ 560,371	\$ 513,510	\$ 209,837	\$ 210,758	\$ 186,090	\$ 1,680,566	\$ 227,675	\$ 81,185	\$ 308,860
									\$ 1,989,426

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, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (31,215)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	85,673
Amortization	15,528
(Increase) decrease in:	
Grants receivable	(101,655)
Accounts receivable	(65,908)
Interest receivable	27,104
Prepaid expenses and other current assets	(7,441)
Increase in restricted deposit	400
Increase (decrease) in:	
Accounts payable	(6,656)
Accrued expenses	11,643
Net Cash Used by Operating Activities	<u>(72,527)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment in certificate of deposit	(35,520)
Purchases of property and equipment	<u>(71,566)</u>
Net Cash Used by Investing Activities	<u>(107,086)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net Cash Used by Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash	(179,613)
Cash - Beginning of Year	<u>504,944</u>
Cash - End of Year	<u><u>\$ 325,331</u></u>

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

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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 addiction). All programs are conducted on-premises except for supportive housing and the out-patient program.

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 stipulations.

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, 2010

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

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	6 - 31.5 years
Vehicles	5 years
Furniture and equipment	5 - 10 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, 2010 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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 State contracts and the Tennessee Office for Refugees and Catholic Charities of Tennessee, Inc. 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	2,034,528
Vehicles	86,387
Furniture and equipment	295,671
	<u>2,914,066</u>
Less: Accumulated depreciation	(1,404,018)
	<u>\$ 1,510,048</u>
Depreciation for the year	<u>\$ 85,673</u>

5. MANAGEMENT AGREEMENT

The Organization entered into a management agreement with Xebec Management, Inc. on December 1, 2005 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 \$222,330.

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 \$16,800.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

7. CONCENTRATION OF CREDIT RISK

The Organization maintains accounts at four commercial banks. At June 30, 2010, the excess over the Federal Deposit Insurance Corporation amount of \$250,000 was \$323,305. Management considers the risk to be minimal.

8. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, certificates of deposit, receivables, prepaids, payables and accruals:
The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

9. COMMITMENTS

The Organization leases three buildings that are used in its Supportive Housing program on a month to month basis for \$8,214 per month.

The Organization has a 60 month lease for office equipment. The lease began on June 6, 2005 and expired June 6, 2010. The lease has a fixed payment of \$398 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, 2010 amounted to \$124,958.

The total rent paid on the office equipment leases for the year ended June 30, 2010 amounted to \$6,349.

Future minimum rental payments required are as follows:

Year ended June 30,	Amount
2011	\$ 1,386
2012	1,387
2013	1,386
2014	1,387
2015	924
Total	<u>\$ 6,470</u>

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

10. INTANGIBLE ASSETS

The intangible assets include a non-compete agreement and customer list that were originally included in the total assets capitalized as part of the purchase of the Wade Prince and Associates program. During the year ended June 30, 2008 the Organization reclassified the net value of \$46,585 and is amortizing it over the remaining life of three years. The amortization for the year ended June 30, 2010 was \$15,528.

11. CONCENTRATION

The Organization receives support from the Tennessee Department of Mental Health and Developmental Disabilities under one grant agreement and three contracts. This represents approximately 71.2% of the Organization's total support and revenue.

12. SCHEDULE OF EXPENDITURES OF GRANT AWARDS AND GOVERNMENT CONTRACTS

The accompanying schedule of expenditures of grant awards and government contracts summarizes the expenditures of the Organization under grants and contracts of the federal and state governments for the year ended June 30, 2010. 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.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 20, 2010 which is the date the financial statements were available to be issued.

14. UNCERTAINTY IN INCOME TAXES

Management is not aware of any transactions entered into by the Organization that would cause the Organization to be required to pay income taxes.

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF EXPENDITURES OF GRANT AWARDS AND GOVERNMENT CONTRACTS
FOR THE YEAR ENDED JUNE 30, 2010

Agency	Program Name	CFDA Number	Grant Period	Contract Number	Grant Receivable 6/30/2009	Receipts	Expenditures	Adjustments	Grant Receivable 6/30/2010
<u>Federal Awards:</u>									
U.S. Department of Health and Human Services Pass Through:									
Tennessee Department of Mental Health and Developmental Disabilities	Alcohol and Drug Abuse Services Block Grant	93.959	7/1/2008 - 6/30/2009	Z-09-213836-00*	\$ 28,380	\$ 28,380	\$ -	\$ -	\$ -
Tennessee Department of Mental Health and Developmental Disabilities	Alcohol and Drug Abuse Services Block Grant	93.959	7/1/2009 - 6/30/2010	Z-09-213836-00*	-	419,945	492,577	-	72,632
Total Federal Awards					\$ 28,380	\$ 448,325	\$ 492,577	\$ -	\$ 72,632
<u>State Awards:</u>									
Tennessee Department of Mental Health and Developmental Disabilities	Alcohol and Drug Abuse Services Block Grant	93.959	7/1/2009 - 6/30/2010	Z-09-213836-00	-	331,890	389,293	-	57,403
Total State Awards					\$ -	\$ 331,890	\$ 389,293	\$ -	\$ 57,403
Total Grant Awards					\$ 28,380	\$ 780,215	\$ 881,870	\$ -	\$ 130,035

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF EXPENDITURES OF GRANT AWARDS AND GOVERNMENT CONTRACTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Agency	Program Name	CFDA Number	Grant Period	Contract Number	Grant Receivable 6/30/2009	Receipts	Expenditures	Adjustments	Grant Receivable 6/30/2010
<u>Government Contracts:</u>									
Tennessee Department of Mental Health and Developmental Disabilities	Alcohol and Drug Addiction Treatment				\$ 27,335	\$ 324,305	\$ 379,805	\$ (50)	\$ 82,785
Tennessee Department of Mental Health and Developmental Disabilities	Access to Recovery				7,000	86,935	86,935		7,000
Tennessee Department of Mental Health and Developmental Disabilities	BOPP Community Treatment Collaborative				-	31,680	45,430	-	13,750
Other miscellaneous contracts					-	2,507	2,622	-	115
Total Government contracts					\$ 34,335	\$ 445,427	\$ 514,792	\$ (50)	\$ 103,650

*Federal pass-through funds.

**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
Samaritan Recovery Community, Inc.
Nashville, Tennessee

We have audited the financial statements of Samaritan Recovery Community, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated September 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Samaritan Recovery Community, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Samaritan Recovery Community, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Samaritan Recovery Community, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting. The significant deficiency is described in the accompanying schedule of findings and responses as item 10-01. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Samaritan Recovery Community, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Samaritan Recovery Community, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Samaritan Recovery Community, Inc.'s response and, accordingly, we express no opinion on it.

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

Bellenfant & Miles, PLLC

September 20, 2010

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010

PART I - SUMMARY OF AUDITORS' RESULTS

- | | | |
|----|--|-----------------------|
| 1. | Type of auditors' report issued: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | Material weaknesses identified? | _____yes ___x___no |
| | Significant deficiencies identified not
considered to be material weaknesses? | ___x___yes _____no |
| 3. | Noncompliance material to financial statements noted? | _____yes ___x___no |

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF FINDINGS AND RESPONSES -CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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

Finding - 10-1 - CASH RECEIPTS

Samaritan collects money from clients for rent, assessments and fees. The primary support for this money is copies of the receipt tickets. During the test of cash receipts, although total receipts equaled the total deposits, it was noted that the cash amount shown on the deposit slip and the validated deposit slip did not agree with the total of the receipt tickets marked cash. In all instances the total of the receipts marked cash was more than the cash amount on the deposit slip. Additionally, it was noted that there were cashier's checks and money orders listed on the deposit slip that were not supported by a receipt marked either check or money order. These cashier's checks and money orders, usually for assessments, exactly matched receipts marked cash and the total of these cashier's checks and money orders exactly matched the cash difference. Accordingly, this appears to be a problem with the care that is given to properly marking the source of the cash receipts and not a misappropriation of funds.

Recommendation

The personnel that collect money from the clients should be instructed on the importance of properly marking the source of the money collected on the cash receipt ticket. Additionally, copies should be made of all checks and money orders to support the items listed on the deposit slip.

Management Response

Management concurs with the finding and will instruct all personnel that collect money on the importance of properly marking the source of the money on the receipt ticket and will instruct personnel to make a copy of all checks and money orders before they are deposited.

SAMARITAN RECOVERY COMMUNITY, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2010

Prior year audit finding 09-01, dealing with purchasing procedures, was corrected and is no longer a finding.