

SERENITY HOUSE OF VOLUSIA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

**SERENITY HOUSE OF VOLUSIA, INC.
TABLE OF CONTENTS
JUNE 30, 2010 AND 2009**

	<u>Page Number(s)</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 – 5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 12
Schedule of Expenditures of Federal Awards	14 – 15
Schedule of Expenditures of State Financial Assistance and Matching of Federal Awards	16
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance and Matching of Federal Awards	17
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and Each Major State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General	18 – 19
Schedule of Findings and Questioned Costs	20 – 21
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>	22 – 23
Independent Auditors' Report on Additional Information	24
Schedule of State Earnings	25
Schedule of Bed-Day Availability Payments	26
Program/Cost Center Actual Expenses and Revenues Schedule	27 – 28

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Serenity House of Volusia, Inc.:

We have audited the accompanying statements of financial position of Serenity House of Volusia, Inc. as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Serenity House of Volusia, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 Serenity House of Volusia, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years 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 February 14, 2011, on our consideration of Serenity House of Volusia, 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 audits were conducted for the purpose of forming an opinion on the financial statements of Serenity House of Volusia, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Financial Assistance and Matching of Federal Awards are presented for the purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Section 215.97, Florida Statutes, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

James Moore & Co.

Daytona Beach, Florida
February 14, 2011

**SERENITY HOUSE OF VOLUSIA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009**

	2010	2009
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 882,929	\$ 609,717
Certificates of deposit	98,027	171,349
Accounts receivable	343,437	261,473
Other receivables	6,285	6,428
Prepaid expenses and deposits	116,189	112,151
Total current assets	1,446,867	1,161,118
Property and equipment, net		
Land	1,444,084	1,304,758
Construction in progress	23,299	70,505
Building and improvements	6,070,198	5,552,324
Furniture and equipment	441,051	413,813
Vehicles	291,253	281,417
	8,269,885	7,622,817
Less: Accumulated depreciation	1,672,846	1,337,916
Total property and equipment, net	6,597,039	6,284,901
Total Assets	\$ 8,043,906	\$ 7,446,019
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 42,062	\$ 39,479
Accrued expenses	208,526	187,372
Deferred revenue	980	64,903
Refundable advances	105,454	84,658
Security deposits	10,209	9,211
Mortgage payable	5,991	5,645
Total current liabilities	373,222	391,268
Long-term debt		
Mortgage payable	182,230	188,211
Total liabilities	555,452	579,479
Net assets		
Unrestricted:		
Undesignated	1,079,636	775,495
Invested in property and equipment, net of related debt	6,408,818	6,091,045
Total net assets	7,488,454	6,866,540
Total Liabilities and Net Assets	\$ 8,043,906	\$ 7,446,019

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

**SERENITY HOUSE OF VOLUSIA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
UNRESTRICTED NET ASSETS		
Revenue, gains and other support		
Contributions		
Harley Davidson raffle	\$ 327,964	\$ 352,467
Other	74,297	67,799
In-kind donations		
Program materials and services	265,579	212,411
Harley Davidson raffle	73,530	131,023
Property contributions	-	40,000
Federal grants	2,694,264	1,991,708
State grants	1,817,541	1,947,234
Local grants	435,843	435,887
United Way allocation and special grants	87,300	61,800
Food stamps	152,690	139,211
Program service income	78,276	97,085
CHDO Rent	129,348	104,786
Interest income	6,639	7,724
Miscellaneous revenue	47,388	44,315
Total revenue, gains and other support	6,190,659	5,633,450
Expenses		
Program services:		
Residential programs	3,102,078	3,160,612
Other program services	1,762,701	1,516,412
Total program services	4,864,779	4,677,024
Management and general	341,932	350,537
Fundraising	362,034	405,749
Total expenses	5,568,745	5,433,310
Change in net assets	621,914	200,140
Net assets, beginning of year	6,866,540	6,666,400
Net assets, end of year	\$ 7,488,454	\$ 6,866,540

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

**SERENITY HOUSE OF VOLUSIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010**

	Program Services									Supporting Services				
	Residential Programs				Other Program Services					Total Program Services	Management and General	Fundraising	Program Administration	Total Expenses
	Men's Residential at Stone St.	Serenity House West	Women with Dependent Children	Passageways	Women's Residential	CHAMP	Case Management	Community Services & Assessments	Permanent Housing					
Expenses														
Salaries and wages	\$ 470,243	\$ 320,532	\$ 129,441	\$ 26,348	\$ 192,275	\$ 65,570	\$ 153,496	\$ 342,003	\$ 194,149	\$ 1,894,057	\$ 180,099	\$ 104,195	\$ 370,451	\$ 2,548,802
Employee benefits	141,756	94,445	35,767	7,936	50,224	18,345	49,660	82,742	53,582	534,457	58,468	25,867	76,190	694,982
Contracted services	11,203	8,225	2,892	126	4,442	126	504	9,846	4,308	41,672	5,055	-	30,269	76,996
Accounting and legal	-	668	889	-	-	-	-	-	1,761	3,318	23,682	-	-	27,000
Food, health, and comfort	186,930	163,879	62,733	2,108	89,173	2,604	210	21,438	21,033	550,108	8,109	27,336	11,798	597,351
Conference and meetings	2,218	2,072	452	230	707	284	913	2,898	425	10,199	2,938	16,939	5,331	35,407
Occupancy costs:														
Insurance	33,653	26,473	10,227	198	11,949	358	-	7,213	36,836	126,907	5,937	7,136	13,236	153,216
Maintenance and repairs	31,145	26,842	5,729	264	10,630	1,187	-	7,685	35,809	119,291	1,378	-	6,476	127,145
Utilities and phone	82,860	84,496	11,922	805	30,055	1,840	253	15,640	54,975	282,846	4,570	3,178	19,946	310,540
Rent	4,187	1,000	27,882	143	4,117	-	-	15,354	114,023	166,706	7,301	-	28,826	202,833
Licenses and permits	2,641	1,709	613	510	760	30	879	1,045	-	8,187	241	4,828	591	13,847
Office expense	11,797	20,550	12,348	222	15,408	1,272	364	15,195	4,578	81,734	25,634	6,515	35,369	149,252
Vehicle and equipment maintenance	13,422	18,640	1,700	262	4,556	1,284	489	2,248	6,434	49,035	1,440	21,198	11,011	82,684
Equipment rental	6,091	5,938	2,466	336	3,268	517	784	5,636	1,882	26,918	3,414	548	6,075	36,955
Miscellaneous	156	1,379	689	123	554	-	216	1,000	9,741	13,858	4,521	5,506	2,015	25,900
Fundraising prizes and awards	-	-	-	-	-	-	-	-	-	-	-	132,093	-	132,093
Total expenses before program administration allocation, interest and depreciation	<u>998,302</u>	<u>776,848</u>	<u>305,750</u>	<u>39,611</u>	<u>418,118</u>	<u>93,417</u>	<u>207,768</u>	<u>529,943</u>	<u>539,536</u>	<u>3,909,293</u>	<u>332,787</u>	<u>355,339</u>	<u>617,584</u>	<u>5,215,003</u>
Program administration allocation	159,300	108,584	43,850	8,926	65,136	22,213	51,999	115,858	65,771	641,637	-	-	(641,637)	-
Interest	11,793	-	-	-	-	-	-	-	-	11,793	-	-	-	11,793
Depreciation	108,815	43,209	9,193	173	4,470	440	-	1,225	134,531	302,056	9,145	6,695	24,053	341,949
Total program administration allocation, interest and depreciation	<u>279,908</u>	<u>151,793</u>	<u>53,043</u>	<u>9,099</u>	<u>69,606</u>	<u>22,653</u>	<u>51,999</u>	<u>117,083</u>	<u>200,302</u>	<u>955,486</u>	<u>9,145</u>	<u>6,695</u>	<u>(617,584)</u>	<u>353,742</u>
Total Expenses	<u>\$ 1,278,210</u>	<u>\$ 928,641</u>	<u>\$ 358,793</u>	<u>\$ 48,710</u>	<u>\$ 487,724</u>	<u>\$ 116,070</u>	<u>\$ 259,767</u>	<u>\$ 647,026</u>	<u>\$ 739,838</u>	<u>\$ 4,864,779</u>	<u>\$ 341,932</u>	<u>\$ 362,034</u>	<u>\$ -</u>	<u>\$ 5,568,745</u>

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

**SERENITY HOUSE OF VOLUSIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009**

	Program Services									Supporting Services				
	Residential Programs				Other Program Services					Total Program Services	Management and General	Fundraising	Program Administration	Total Expenses
	Men's Residential at Stone St.	Serenity House West	Women with Dependent Children	Passageways	Women's Center	CHAMP	Case Management	Community Services & Assessments	Permanent Housing					
Expenses														
Salaries and wages	\$ 486,390	\$ 301,286	\$ 82,079	\$ 75,990	\$ 187,234	\$ 65,042	\$ 151,145	\$ 254,248	\$ 151,261	\$ 1,754,675	\$ 176,851	\$ 107,286	\$ 361,678	\$ 2,400,490
Employee benefits	133,054	83,382	22,566	21,818	49,149	20,307	57,723	60,621	40,510	489,130	54,189	26,884	82,618	652,821
Contracted services	2,884	11,217	7,012	234	3,662	137	473	483	2,306	28,408	1,961	-	30,831	61,200
Accounting and legal	-	-	-	-	-	-	-	-	-	-	41,000	-	-	41,000
Food, health, and comfort	196,420	138,059	50,323	14,928	81,004	2,973	140	16,045	32,490	532,382	8,271	5,880	9,517	556,050
Conference and meetings	1,915	2,752	189	283	791	400	772	3,504	262	10,868	1,362	14,144	4,689	31,063
Occupancy costs:														
Insurance	35,841	27,092	8,977	3,943	10,215	558	282	7,830	25,277	120,015	5,836	7,984	15,003	148,838
Maintenance and repairs	183,881	15,683	3,977	2,561	8,746	188	136	1,278	26,947	243,397	1,613	45	6,437	251,492
Utilities and phone	74,360	72,422	14,981	9,162	32,940	1,820	318	15,530	54,856	276,389	4,387	2,067	16,729	299,572
Rent	4,302	900	2,581	1,721	4,550	-	-	10,460	93,484	117,998	9,383	-	30,219	157,600
Licenses and permits	1,991	1,400	334	720	692	34	789	951	2,301	9,212	328	51,103	705	61,348
Office expense	12,190	14,625	6,430	1,666	5,762	653	352	6,842	50,299	98,819	20,015	10,361	32,283	161,478
Vehicle and equipment maintenance	19,816	14,126	1,031	673	3,824	1,159	557	902	1,626	43,714	1,351	18,799	12,056	75,920
Equipment rental	6,133	4,894	1,390	945	3,577	466	968	5,428	1,471	25,272	2,975	655	6,358	35,260
Miscellaneous	38	730	60	48	811	-	191	690	636	3,204	4,752	7,196	854	16,006
Fundraising prizes and awards	-	-	-	-	-	-	-	-	-	-	-	145,037	-	145,037
Total expenses before program administration allocation, interest and depreciation	<u>1,159,215</u>	<u>688,568</u>	<u>201,930</u>	<u>134,692</u>	<u>392,957</u>	<u>93,737</u>	<u>213,846</u>	<u>384,812</u>	<u>483,726</u>	<u>3,753,483</u>	<u>334,274</u>	<u>397,441</u>	<u>609,977</u>	<u>5,095,175</u>
Program administration allocation	171,735	106,378	28,980	26,831	66,109	22,965	53,366	89,770	53,407	619,541	-	-	(619,541)	-
Interest	12,129	-	-	-	-	-	-	-	-	12,129	-	-	-	12,129
Depreciation	105,243	40,778	9,413	1,229	14,425	440	-	1,225	119,118	291,871	16,263	8,308	9,564	326,006
Total program administration allocation, interest and depreciation	<u>289,107</u>	<u>147,156</u>	<u>38,393</u>	<u>28,060</u>	<u>80,534</u>	<u>23,405</u>	<u>53,366</u>	<u>90,995</u>	<u>172,525</u>	<u>923,541</u>	<u>16,263</u>	<u>8,308</u>	<u>(609,977)</u>	<u>338,135</u>
Total Expenses	<u>\$ 1,448,322</u>	<u>\$ 835,724</u>	<u>\$ 240,323</u>	<u>\$ 162,752</u>	<u>\$ 473,491</u>	<u>\$ 117,142</u>	<u>\$ 267,212</u>	<u>\$ 475,807</u>	<u>\$ 656,251</u>	<u>\$ 4,677,024</u>	<u>\$ 350,537</u>	<u>\$ 405,749</u>	<u>\$ -</u>	<u>\$ 5,433,310</u>

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

SERENITY HOUSE OF VOLUSIA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Cash flows from operating activities		
Change in net assets	\$ 621,914	\$ 200,140
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	341,949	326,006
Loss on disposal of equipment	3,007	5,648
In-kind donation of property and equipment	-	(40,000)
(Increase) decrease in operating assets		
Accounts receivable	(81,964)	(80,504)
Other receivables	143	2,675
Prepaid expenses and deposits	(4,038)	107
Increase (decrease) in operating liabilities		
Accounts payable	2,583	19,873
Accrued expenses	21,154	6,420
Deferred revenue	(63,923)	64,798
Refundable advances	20,796	(18,207)
Security deposits	998	1,013
Net cash provided by operating activities	862,619	487,969
Cash flows from investing activities		
Purchase of property and equipment	(657,094)	(435,282)
Purchase of certificates of deposit	-	(171,349)
Sale of certificates of deposit	73,322	-
Net cash used in investing activities	(583,772)	(606,631)
Cash flows from financing activities		
Principal payments on mortgage	(5,635)	(5,298)
Net increase (decrease) in cash and cash equivalents	273,212	(123,960)
Cash and cash equivalents, beginning of year	609,717	733,677
Cash and cash equivalents, end of year	\$ 882,929	\$ 609,717
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 11,793	\$ 12,129
Noncash investing activities		
In-kind donation of property and equipment	\$ -	\$ 40,000

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

SERENITY HOUSE OF VOLUSIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of Serenity House of Volusia, Inc. (the Organization), which affect significant elements of the accompanying financial statements.

(a) **Organization**—Serenity House of Volusia, Inc. is a not-for-profit corporation incorporated under the laws of the State of Florida. The mission of the Organization is to provide residential and outpatient substance abuse and mental health treatment, counseling and rehabilitation. The Organization has five locations throughout Volusia County providing these services. In addition, the Organization has fifteen permanent housing locations in Volusia County. The main source of funding comes from Federal, State, and local grants and program services fees from services provided. The Organization also receives funding from United Way of Volusia/Flagler Counties, Inc. The major fundraising campaign consists of small cash donations and a drawing for a Harley Davidson motorcycle.

(b) **Basis of accounting**—The Organization follows standards of accounting and financial reporting prescribed for voluntary health and welfare agencies. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal, State, and local government and public grants are recorded as support when performance occurs under the terms of the grant agreement.

The costs of providing the various programs and other activities have been detailed in the Statements of Functional Expenses and summarized on a functional basis in the Statements of Activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided. Program administration is allocated to the various programs based on each program's salary expense.

(c) **Basis of presentation**—The Organization reports 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 and are currently available at the discretion of the Board of Directors for use in the Organization's operations.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. The Organization had no temporarily restricted net assets at June 30, 2010 and 2009.

Permanently restricted net assets—Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization had no permanently restricted net assets at June 30, 2010 and 2009.

SERENITY HOUSE OF VOLUSIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Cash and 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.

(e) **Accounts receivable**—Accounts receivable consist primarily of grant and contract receivables and are stated at net realizable value. Grants receivable consist of amounts due to the Organization from governmental units and cultural agencies under the terms of various grant contracts. Due to the nature of these agencies, no allowance for uncollectible amounts has been established. Other accounts receivables are stated at the amount management expects to collect from balances outstanding at year-end. Management has concluded that realization of losses on balances outstanding at year-end will be immaterial.

(f) **Property and equipment**—The Organization capitalizes all expenditures and donations in excess of \$1,500 for property and equipment. However, funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State of Florida has a reversionary interest in those assets purchased with its funds which have a cost of \$1,000 or more and an estimated useful life of at least one year. The Federal Government has a reversionary interest in any assets purchased with its funds which have a cost of \$5,000 or more and an estimated useful life of at least one year. The County of Volusia and the City of Daytona Beach have a reversionary interest for the next 15 to 20 years in land and buildings purchased with grant funds. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation expense of \$341,949 and \$326,006 was functionally allocated based on use by program services and supporting services for the years ended June 30, 2010 and 2009. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 – 30 years
Furniture and equipment	5 – 15 years
Vehicles	5 years

(g) **Deferred revenue**—Deferred revenue, if any, primarily consists of advances received for contracted programs that apply to future periods.

(h) **Contributions**—The Organization reports contributions 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 or permanently restricted net assets and reported in the statement of activities as net assets released from restrictions.

(i) **Harley raffle**—The Organization solicits contributions for raffle tickets at various locations and special events during the year. For the year ended June 30, 2009, two raffle drawings were held, one in October and one in March. For the year ended June 30, 2010, one raffle drawing was held in March 2010. Monies collected in advance from the sale of raffle tickets are recorded as a refundable advance in the accompanying statements of financial position and are recognized as raffle revenue when the related raffle drawing is held.

SERENITY HOUSE OF VOLUSIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **Donated materials and services**—The Organization recognizes donated materials and services that create or enhance non-financial assets or that require skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Donated materials and services that meet the above criteria are recognized as revenues and are reported in the accompanying financial statements at their estimated fair value at the time of receipt.

(k) **Charity care**—The Organization has a policy of providing charity care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis. Since the Organization does not expect payment, estimated charges for charity care are not included in revenue.

(l) **Health care service cost recognition**—The Organization contracts with a physician and an ARNP for certain medical care services to its clients. Operating expenses include all the amounts incurred by the Organization under these contracts.

(m) **Income taxes**— The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. Since the Organization had no taxable unrelated business income during the years ended June 30, 2010 and 2009, no provision for income taxes is provided in the financial statements.

The Organization files income tax returns in the U.S. federal jurisdiction. The Organization is no longer subject to U.S. Federal income tax examinations by tax authorities for years before 2007. The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

(n) **Impairment of long-lived assets**—The Organization periodically reviews its long-lived assets to be held and used in operations for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets.

(o) **Reclassifications**—Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

(p) **Subsequent Events**—The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through February 14, 2011, the date the financial statements were available to be issued. See Note 10.

(q) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

SERENITY HOUSE OF VOLUSIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(2) **Certificates of Deposit:**

Certificates of deposit for the year ended June 30, 2010 totaled \$98,027 and mature within 3 months. The Certificates bear interest at 5.00%. During the year ended June 30, 2009, the certificates of deposit totaled \$171,349. The certificates had stated interest rates from 1.75% to 5% and maturities ranging from four to eight months, with no penalties for early withdrawal. Certificates are valued at cost plus accrued interest, which approximates fair value.

(3) **Line of Credit:**

The Organization has a line of credit with a financial institution, expiring July 7, 2010. The line bears interest at the financial institution's prime rate plus 2.5% (5.75% at June 30, 2010), with interest due monthly. The line is collateralized by substantially all assets of the Organization. The line is available up to \$300,000 and no balance was outstanding at June 30, 2010.

Subsequent to year end, effective July 1, 2010, the Organization renewed the line of credit with the financial institution. The renewal line of credit has an on demand expiration and reduced the available amount of credit to \$100,000. The renewal bears interest at the financial institution's prime rate plus 1.0%, with a floor of 5%, and is collateralized by substantially all assets of the Organization.

(4) **Long-Term Debt:**

Long-term debt consisted of the following at year end:

	2010	2009
Mortgage payable to financial institution, due in monthly installments of \$1,452 including interest at 6.08%, final payment due April 4, 2018, collateralized by property located at 2775 Big John Drive, Deland, FL.	\$ 188,221	\$ 193,856
Less: Current portion	5,991	5,645
Total long-term debt, less current portion	<u>\$ 182,230</u>	<u>\$ 188,211</u>

Following are maturities on long-term debt:

Year Ending June 30,	Amount
2011	\$ 5,991
2012	6,342
2013	6,772
2014	7,203
2015	7,660
Thereafter	154,262
	<u>\$ 188,230</u>

(5) **Tax Deferred Annuity Plan:**

The Organization participates in a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Organization. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Organization's annual contribution rate is discretionary from plan year to plan year. The Organization made contributions to the plan on behalf of its employees for the years ended June 30, 2010 and 2009 totaling \$50,165 and \$46,323, respectively.

SERENITY HOUSE OF VOLUSIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(6) **Donated Materials and Services:**

Donated materials and services received during the years ended June 30, 2010 and June 30, 2009 were, in the judgment of management, both significant and essential to the continuing programs of the Organization.

The following are the assigned values of donated materials and services reported in the financial statements:

	<u>2010</u>	<u>2009</u>
Contracted services	\$ 4,545	\$ 2,591
Food, health and comfort	211,631	186,087
Conferences and meetings	2,400	3,115
Occupancy costs – maintenance and repairs	2,432	275
Office expense	730	5,320
Equipment and maintenance	29,857	20,240
Capital acquisitions	13,984	1,600
	<u>\$ 265,579</u>	<u>\$ 219,228</u>
Property contribution for treatment and housing facilities	<u>\$ -</u>	<u>\$ 40,000</u>
Harley Davidson Raffle – giveaways and special event show space	<u>\$ 73,530</u>	<u>\$ 123,532</u>

(7) **Operating Lease Commitments:**

The Organization leases office space and other equipment under non-cancellable operating leases. The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year at June 30, 2010.

<u>Year Ending June 30,</u>	
2011	\$ 132,433
2012	68,573
2013	27,574
2014	22,684
2015	6,756
Thereafter	<u>69,126</u>
	<u>\$ 327,146</u>

Rent expense for the years ended June 30, 2010 and 2009 was \$202,833 and \$157,600, respectively.

SERENITY HOUSE OF VOLUSIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(8) **Related Party:**

Serenity House formed a separate not-for-profit Corporation, Serenity House Endowment, Inc. (the Foundation) to raise money on behalf of the Organization. All board members of the Foundation are appointed by the Organization and therefore qualify for consolidation due to control. However, during the year ended June 30, 2010 there was no significant activity within the Foundation and therefore it has not been consolidated into these financial statements.

(9) **Concentrations of Risk:**

Revenue to support the Organization's programs is received primarily from federal, state and local government grants and awards, and accounts for a significant portion of total support. Thus, the Organization is subject to changes in government funding allocations. In the event these entities discontinue funding these programs, the Organization would have a difficult time achieving current program goals.

Credit risk with respect to receivables is limited due to the credit worthiness of the government entities and organizations from whom the amounts are due.

The Organization had demand deposits of \$1,016,951 with three banks at June 30, 2010. The Organization has no policy requiring collateral or other security to support its deposits, although all demand deposits with banks are federally insured up to FDIC limits. At June 30, 2010, the Organization had demand deposits of \$678,981, in excess of FDIC protection. Additionally, the Organization had certificates of deposit with one financial institution totaling \$98,027, of which the total balance was insured under FDIC protection.

(10) **Subsequent Event:**

Effective July 1, 2010, the Organization merged with Community Outreach Services, Inc., an Organization providing substance abuse treatment and rehabilitation on the west side of Volusia County.

SUPPLEMENTARY INFORMATION

SERENITY HOUSE OF VOLUSIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal Grantor Agency Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Funding Period</u>	<u>Agency or Pass- Through Number</u>	<u>Federal Award Expenditures</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct				
HUD Supportive Housing Program	14.235	9/1/08-8/31/09	FL29B704005	\$ 60,981
HUD Supportive Housing Program	14.235	9/1/08-8/31/09	FL29B704006	23,574
HUD Supportive Housing Program	14.235	10/1/08-9/3/09	FL29B704007	17,571
HUD Supportive Housing Program	14.235	11/1/08-10/31/09	FL29B704008	5,187
HUD Supportive Housing Program	14.235	9/1/09-8/31/10	FL0073B4H040801	163,909
HUD Supportive Housing Program	14.235	9/1/09-8/31/10	FL0068B4H040801	114,676
HUD Supportive Housing Program	14.235	10/1/09-9/30/10	FL0061B4H040801	40,174
HUD Supportive Housing Program	14.235	11/1/09-10/31/10	FL0063B4H040801	16,387
HUD Supportive Housing Program	14.235	4/1/09-3/31/10	FL0064B4H040801	156,746
HUD Supportive Housing Program	14.235	4/1/10-3/31/11	FL0064B4H040802	40,480
HUD Supportive Housing Program	14.235	10/1/08-9/30/09	FL29B604001	9,937
HUD Supportive Housing Program	14.235	10/1/09-9/30/10	FL29B604001	30,767
HUD Supportive Housing Program	14.235	2/1/10-1/31/11	FL0059B4H040800	16,975
				<u>697,364</u>
Passed through County of Volusia Community Development				
HOME Investment Partnerships	14.239	1/1/10-9/30/10	CHDO Oper	6,500
Passed through City of Daytona Beach Community Development				
HOME Investment Partnerships	14.239	1/6/09-1/6/24	Kingston Ren.	21,032
				<u>27,532</u>
Passed through County of Volusia Community Development				
Community Development Block Grant	14.218	8/19/09-9/30/10	SHW Out Bldg	30,000
Passed through County of Volusia Community Development				
ARRA - Homeless Prevention and Rapid Re-housing	14.257	9/29/09-4/30/12	09-Q-175DS	700
Passed through County of Volusia Community Development				
ARRA - HOME Investment Partnerships Program	14.256	1/1/10-12/31/10	N/A	548,136
Total Department of Housing and Urban Development				<u>1,303,732</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through County of Volusia Community Development				
Byrne Formula Grant Program -				
Family Intervention Treatment Services	16.738	10/1/09-9/30/10	2010-JAGC-VOLU- 5-4X-044	27,397
Byrne Formula Grant Program -				
Family Intervention Treatment Services	16.738	10/1/08-9/30/09	2009-JAGC-VOLU- 3T7-085	10,216
				<u>37,613</u>
Passed through County of Volusia Community Development				
ARRA - Ed Byrne Memorial Justice Assistance -				
Correctional Treatment Diversion Program	16.803	10/1/09-9/30/10	2010-ARRC- VOLU-10-W7-076	224,943
ARRA - Ed Byrne Memorial Justice Assistance -				
Drug Court Community Program	16.803	10/1/09-9/30/10	2010-ARRC- VOLU-9-W7-027	23,540
Passed through SMA Behavioral Healthcare				
ARRA - Ed Byrne Memorial Justice Assistance -				
Drug Court Expansion	16.803	2/10/10-1/11/11	10-SQ-15JD	2,407
				<u>250,890</u>
Total U.S. Department of Justice				<u>288,503</u>

SERENITY HOUSE OF VOLUSIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

(Continued)

Federal Grantor Agency Pass Through Grantor/Program Title	Federal CFDA Number	Funding Period	Agency or Pass- Through Number	Federal Award Expenditures
U.S. DEPARTMENT OF VETERANS AFFAIRS				
Direct				
VA Homeless Providers Grant and Per Diem Program	64.024	7/1/09-6/30/10	V573P-6035	236,040
VA Homeless Providers Grant and Per Diem Program	64.024	7/1/09-6/30/10	01-43-FL	163,434
VA Homeless Providers Grant and Per Diem Program	64.024	7/1/09-6/30/10	NA	178,300
Total U.S. Department of Veterans Affairs				<u>577,774</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through United Way of Volusia/Flagler Counties				
Emergency Food and Shelter	97.024	1/1/10-12/31/10	N/A	9,550
Emergency Food and Shelter	97.024	1/1/09-12/31/09	N/A	8,000
				<u>17,550</u>
Passed through United Way of Volusia/Flagler Counties				
ARRA - Emergency Food and Shelter	97.114	1/1/09-12/31/09	N/A	8,700
Total U.S. Department of Homeland Security				<u>26,250</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Florida Department of Children and Families				
Temporary Assistance to Needy Families	93.558	7/1/09-6/30/10	ND-034/ 39A18	84,162
Temporary Assistance to Needy Families	93.558	7/1/09-6/30/10	ND-034/ 39TCO	35,212
Total TANF Cluster				<u>119,374</u>
Passed through Florida Department of Children and Families				
Block Grants for Prevention and Treatment of				
Substance Abuse	93.959	7/1/09-6/30/10	ND-034/ 27PR6	6,450
Block Grants for Prevention and Treatment of				
Substance Abuse	93.959	7/1/09-6/30/10	ND-034/ SP622	180,000
Block Grants for Prevention and Treatment of				
Substance Abuse	93.959	7/1/09-6/30/10	ND-034/ 27OG7	54,590
Block Grants for Prevention and Treatment of				
Substance Abuse	93.959	7/1/09-6/30/10	ND-034/ 27WOM	24,386
				<u>265,426</u>
Passed through Florida Department of Children and Families				
Projects for Assistance in Transition from				
Homelessness (PATH)	93.150	7/1/09-6/30/10	ND-034/ GX018	93,388
Passed through Florida Department of Children and Families				
Block Grants for Community Mental Health Services				
	93.958	7/1/09-6/30/10	ND-034/ 19018	20,000
Total U.S. Department of Health and Human Services				<u>498,188</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 2,694,447</u></u>

**SERENITY HOUSE OF VOLUSIA, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
AND MATCHING OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

State Grantor Agency Pass Through Grantor/Program Title	State CSFA Number	Funding Period	Agency or Pass-Through Number	State Financial Assistance
FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES				
Substance Abuse Treatment and Aftercare for Adults Adult Community Mental Health - Community Support Services	60.033	7/1/09-6/30/10	ND-034/ 27ME7	\$ 993,385
	60.053	7/1/09-6/30/10	ND-034/ 19M18	372,564
Total Florida Department of Children and Families				<u>1,365,949</u>
FLORIDA HOUSING FINANCE CORPORATION				
Passed through City of Daytona Beach Community Services SHIP	52.901	1/6/09-1/6/24	Kingston Ren.	60,079
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE				<u><u>\$ 1,426,028</u></u>
State Matching of Federal Awards - ADTRT (93.959)	N/A	7/1/09-6/30/10	ND-034	\$ 385,867
State Matching of Federal Awards - DPG08 (93.959)	N/A	7/1/09-6/30/10	ND-034	4,142
State Matching of Federal Awards - 39TCO (93.558)	N/A	7/1/09-6/30/10	ND-034	1,504
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE AND MATCHING OF FEDERAL AWARDS				<u><u>\$ 1,817,541</u></u>

SERENITY HOUSE OF VOLUSIA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE AND MATCHING OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance and Matching of Federal Awards include federal award and state financial assistance activity of Serenity House of Volusia, Inc. and are presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and Chapter 10.650, Rules of the Auditor General.

(2) **Subrecipients:**

Serenity House of Volusia, Inc. did not pass any Federal awards or state financial assistance on to a sub recipient during the fiscal year ended June 30, 2010.

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors of
Serenity House of Volusia, Inc.:

Compliance

We have audited Serenity House of Volusia, Inc.'S (the Organization) compliance with the types of compliance requirements described in the *Circular A-133 Compliance Supplement* and the *Florida Executive Office of the Governor's State Projects Compliance Supplement* that could have a direct and material effect on each of its major federal programs and major state projects for the year ended June 30, 2010. The Organization's major federal programs and major state projects are identified in the summary of auditors' 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 programs and major state projects is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133; and Section 10.650, Rules of the Auditor General. Those standards and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations* and Section 10.650, Rules of the Auditor General require that we 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 or major state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, Serenity House of Volusia, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and major state projects for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-01 and 2010-02.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or major state project to determine the 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 and Section 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

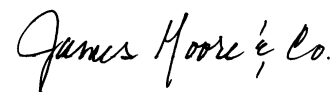
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-02. *A significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's responses and, accordingly, we express no opinion on the responses.

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

Daytona Beach, Florida
February 14, 2011



**SERENITY HOUSE OF VOLUSIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

I. Summary of Auditors' Results:

Financial Statements:

- Type of audit report issued on the basic financial statements: Unqualified
- There were no significant deficiencies related to internal control over financial reporting disclosed by the audit of the basic financial statements.
- No instances of noncompliance material to the basic financial statements were disclosed during the audit.

Federal Awards:

- There was one significant deficiency related to internal control over major federal programs disclosed by the audit.
- Type of report issued on compliance for major federal programs: Unqualified
- The audit disclosed two audit findings, which are required to be reported in accordance with Section 510(a) of Circular A-133.
- Major federal program identification:
CFDA Number 14.235 – HUD Supportive Housing Program
CFDA Number 14.256 – ARRA – HOME Investment Partnerships Program (HOME) -
Neighborhood Stabilization Program
CFDA Number 16.803 – ARRA – Ed Byrne Memorial Justice Assistance Grant
- Dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- Serenity House of Volusia, Inc. qualified as a low-risk auditee.

State Financial Assistance:

- There were no significant deficiencies related to internal control over major state projects disclosed by the audit.
- Type of report issued on compliance for major state projects: Unqualified
- The audit did not disclose any audit findings, which are required to be reported under Chapter 10.650, Rules of the Auditor General.
- Major project identification:
CSFA Number 60.033 – Substance Abuse Treatment and Aftercare Services for Adults
CSFA Number 60.053 – Adult Community Mental Health – Community Support Services
- Dollar threshold used to distinguish between Type A and Type B projects was \$300,000.

II. Financial Statement Findings: None

III. Federal Programs Findings and Questioned Costs:

2010-01 – 14.235 – HUD Supportive Housing – Eligibility Documentation

During our compliance testing, we noted two participants out of a sample of twenty, that did not have a client signed application in their participant file, in accordance with Serenity's policies and procedures. For one of these participants other documentation in the file was present which was signed by the client and used to substantiate information on the application. In the other participant's file, there was no similar information present to substantiate and certify application information by the participant. In both instances there was third party documentation in the file to support the participant's eligibility.

However, a client signed application is a direct requirement from HUD. Therefore, we recommend management implement a process, such as a checklist, to ensure all required documentation is maintained in the files and signed by the participant as applicable to ensure compliance under the grantor requirements.

2010-02 – 14.235 - HUD Supportive Housing – Allocation of Expenses Charged

During our compliance testing, we noted allocation of payroll expenses and some other expenses was done using the original budget as a basis. However, employees complete a HUD timesheet, so time actually spent on a specific supportive Housing program is readily available and should be used as the basis for reimbursements. Additionally, many of the other expenses to operate the programs included documentation indicating how much was applicable to a supportive housing program. We recommend the reimbursement requests be based on actual information available versus the original budget from the grant applications. This will ensure only allowable amounts are submitted for reimbursement.

IV. State Projects Findings and Questioned Costs: None

V. Prior Audit Findings:

There were no audit findings for the year ended June 30, 2009 relative to federal programs and/or state projects requiring action on the part of the auditee for that fiscal year.

VI. Corrective Action Plan:

2010-01 – 14.235 HUD Supportive Housing – Eligibility Documentation

A checklist has been implemented in the housing department to ensure that all required documentation is maintained in the files and signed by the participants as applicable to ensure compliance under grantor requirements.

2010-02 – 14.235 HUD Supportive Housing – Allocation of Expenses Charged

To insure only allowable amounts are submitted for reimbursement, allocation of expenses charged will consistently be based on actual information available (actual hours worked/eligible expenses) in lieu of using budgeted amounts if actual information is not received in a timely manner. This corrective action will be implemented retroactively to the beginning of the 2010/2011 fiscal year.

VII. Management Letter:

No management letter pursuant to Sections 215.97(9)(f) and 215.97(10)(d), Florida Statutes, is required since there are no items related to state financial assistance required to be reported in the management letter.

**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
Serenity House of Volusia, Inc.:

We have audited the financial statements of Serenity House of Volusia, Inc., as of and for the year ended June 30, 2010, and have issued our report thereon dated February 14, 2011. 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 Serenity House of Volusia, 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 Serenity House of Volusia, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. A *significant deficiency* is a deficiency, or 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.

The existence of significant deficiencies or material weaknesses may already be known to management and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs and the related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions.

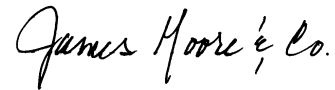
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Serenity House of Volusia, 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*.

We noted certain matters that we reported to the management of Serenity House of Volusia, Inc., in a separate letter to those charged with governance (SAS No. 114, *The Auditor's Communication with Those Charged with Governance* SAS 114) dated February 14, 2011.

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

Daytona Beach, Florida
February 14, 2011

A handwritten signature in cursive script that reads "James Moore & Co." The signature is written in black ink and is positioned to the right of the date and location text.

**INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION**

To the Board of Directors of
Serenity House of Volusia, Inc.:

Our report on our audits of the basic financial statements of Serenity House of Volusia, Inc., for the years ended June 30, 2010 and 2009, appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of State Earnings, Bed-Day Availability payments, Program/Cost Center Actual Expenses and Revenues on pages 25 – 28 are presented for purposes of additional analysis in accordance with the requirements of certain contracts with the Department of Children and Families, State of Florida, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Daytona Beach, Florida
February 14, 2011

James Moore & Co.

**Serenity House of Volusia, Inc.
Schedule of State Earnings for
Fiscal Year 06/30/10**

1	Total Expenditures	\$ 5,568,745.00
2	Less Other State and Federal Funds	\$ (3,412,369.00)
3	Less Non-Match SAMH Funds	\$ (1,099,436.00)
4	Less Unallowable Costs per 65E-14, F.A.C.	\$ (2,925.77)
5	Total Allowable Expenditures (Sum of lines 1, 2, 3, and 4)	\$ 1,054,014.23
6	Maximum Available Earnings (Line 5 times 75%)	\$ 790,510.67
7	Amount of State Funds Requiring Match	\$ 1,156,214.00
8	Amount Due to Department (Subtract line 7 from line 6)	\$ (365,703.33) NO PAYBACK REQUIRED

Serenity House of Volusia, Inc.
*****SCEHDULE NOT APPLICABLE*** - NO AVAILABILITY SERVICES, UTILIZATION ONLY**
Schedule of Bed-Day Availability Payments
For Fiscal Year Ending 06/30/10

Program A	Cost Center B	State Contracted Rate C	Total Units of Service Provided D	Total Units of Service Paid for by 3rd Party Contracts, Local Govt. or Other State Agencies E	Maximum # of Units Eligible for Payment by Department (D-E) F	Amount Paid for Services by the Department G	Maximum \$ Value of Units in Column F (F x C) H	Amount Owed to Department (G-H or \$0, whichever is greater) I
Adult SA	Residential Level 2	\$147.84	8,574	4,089	4,485	\$662,991.44	\$662,991.44	\$0.00
Adult SA	Residential Level 3	\$81.99	7,092	2,685	4,407	\$361,333.21	\$361,333.21	\$0.00
Adult SA	Residential Level 4	\$45.00	2,763	3	2,760	\$124,200.00	\$124,200.00	\$0.00
Adult MH	Residential Level 2	\$147.84	318	88	230	\$34,003.20	\$34,003.20	\$0.00
Adult MH	Residential Level 3	\$108.35	3,449	1,247	2,202	\$238,574.78	\$238,574.78	\$0.00
Total Amount Owed to Department =								\$0.00

Serenity House of Volusia, Inc.
SUBSTANCE ABUSE & MENTAL HEALTH SERVICES
PROGRAM / COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULE

AGENCY: SERENITY HOUSE OF VOLUSIA, INC.

DATE PREPARED: 2/14/2011

CONTRACT #: ND 034

BUDGET PERIOD: FROM 7/1/09-6/30/10

PART I: ACTUAL FUNDING SOURCES & REVENUES

FUNDING SOURCES & REVENUES A	STATE-DESIGNATED SAMH COST CENTERS						Total for State SAMH-Funded Cost Centers (C ₁ +...+C _x) D	Total for Non- State-Funded SAMH Cost Centers E	Tot. for All State- Designated SAMH Cost Centers (D+E) F	Non-SAMH Cost Center G	Total Funding (F+G) H
	STATE SAMH-FUNDED COST CENTERS										
	Men's Residential at Stone Street B _{1-a}	Passage Way B _{1-b}	Women's Residential Services B _{2-a}	CHAMP B _{2-b}	Case Management B _{3-a}	Outpatient & Assessments B _{3-b}					
IA. STATE SAMH FUNDING											
(1) District 12	\$ 825,426.55	\$ 180,000.00	\$ 316,499.20	\$ 337,106.00	\$ 391,857.25	\$ 204,761.00	\$ 2,255,650.00	xxxxxxxxx	\$ 2,255,650.00	xxxxxxxxx	\$ 2,255,650.00
(2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	xxxxxxxxx	\$ -	xxxxxxxxx	\$ -
(3)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	xxxxxxxxx	\$ -	xxxxxxxxx	\$ -
(4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	xxxxxxxxx	\$ -	xxxxxxxxx	\$ -
(5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	xxxxxxxxx	\$ -	xxxxxxxxx	\$ -
(6) From Other Districts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	xxxxxxxxx	\$ -	xxxxxxxxx	\$ -
TOTAL STATE SAMH FUNDING =	\$ 825,426.55	\$ 180,000.00	\$ 316,499.20	\$ 337,106.00	\$ 391,857.25	\$ 204,761.00	\$ 2,255,650.00		\$ 2,255,650.00	xxxxxxxxx	\$ 2,255,650.00
IB. OTHER GOVT. FUNDING											
(1) Other State Agency Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(2) Medicaid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(3) Local Government	\$ 267,069.80	\$ -	\$ 90,933.00	\$ -	\$ -	\$ -	\$ 358,002.80	\$ -	\$ 358,002.80	\$ 603,258.58	\$ 961,261.38
(4) Federal Grants and Contracts	\$ 353,001.95	\$ 1,813.00	\$ 62,670.29	\$ -	\$ 18,312.00	\$ 15,191.98	\$ 450,989.22	\$ -	\$ 450,989.22	\$ 1,918,984.04	\$ 2,369,973.26
(5) In-kind from local govt. only	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOT. OTHER GOVT. FUNDING =	\$ 620,071.75	\$ 1,813.00	\$ 153,603.29	\$ -	\$ 18,312.00	\$ 15,191.98	\$ 808,992.02		\$ 808,992.02	\$ 2,522,242.62	\$ 3,331,234.64
IC. ALL OTHER REVENUES											
(1) 1st & 2nd Party Payments	\$ 24,687.55	\$ 5,342.00	\$ 8,603.32	\$ -	\$ -	\$ 19,913.00	\$ 58,545.87	\$ -	\$ 58,545.87	\$ 149,078.12	\$ 207,623.99
(2) 3rd Party Payments (except Medicare)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(3) Medicare	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(4) Contributions and Donations	\$ -	\$ -	\$ 188.50	\$ -	\$ -	\$ -	\$ 188.50	\$ -	\$ 188.50	\$ -	\$ 188.50
(5) Other	\$ 411.93	\$ 580.09	\$ 3.86	\$ -	\$ -	\$ 39,950.58	\$ 40,946.46	\$ -	\$ 40,946.46	\$ 15,906.18	\$ 56,852.64
(6) In-kind	\$ 71,498.58	\$ -	\$ 47,671.90	\$ -	\$ -	\$ 15,935.45	\$ 135,105.93	\$ -	\$ 135,105.93	\$ 204,003.30	\$ 339,109.23
TOT. ALL OTHER REVENUES =	\$ 96,598.06	\$ 5,922.09	\$ 56,467.58	\$ -	\$ -	\$ 75,799.03	\$ 234,786.76		\$ 234,786.76	\$ 368,987.60	\$ 603,774.36
TOTAL FUNDING =	\$ 1,542,096.36	\$ 187,735.09	\$ 526,570.07	\$ 337,106.00	\$ 410,169.25	\$ 295,752.01	\$ 3,299,428.78		\$ 3,299,428.78	\$ 2,891,230.22	\$ 6,190,659.00

Serenity House of Volusia, Inc.
SUBSTANCE ABUSE & MENTAL HEALTH SERVICES
PROGRAM / COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULE

AGENCY: SERENITY HOUSE OF VOLUSIA, INC.

DATE PREPARED: 2/14/2011

CONTRACT #: ND 034

BUDGET PERIOD: FROM 7/1/09-6/30/10

PART II: ACTUAL EXPENSES

EXPENSE CATEGORIES	STATE-DESIGNATED SAMH COST CENTERS							Total for Non-State-Funded SAMH Cost Centers E	Tot. for All State-Designated SAMH Cost Centers (D+E)	Non-SAMH Cost Center G	Other Support Costs (optional) H	Administration I	Total Expenses (F+G+H+I*)
	STATE SAMH-FUNDED COST CENTERS						Total for State-Funded AMH Cost Centers (C ₁ +...+C _x) D						
	Men's Residential at Stone Street B	Passage Way C	Women's Residential Services D	CHAMP E	Case Management F	Assessments/Community Services G							
IIA. PERSONNEL EXPENSES													
(1) Salaries	\$ 470,243.00	\$ 26,348.00	\$ 192,275.00	\$ 65,570.00	\$ 153,496.00	\$ 342,003.00	\$ 1,249,935.00	\$ 1,249,935.00	\$ 644,122.00	\$ 370,451.00	\$ 284,294.00	\$ 2,548,802.00	
(2) Fringe Benefits	\$ 141,756.00	\$ 7,936.00	\$ 50,224.00	\$ 18,345.00	\$ 49,660.00	\$ 82,742.00	\$ 350,663.00	\$ 350,663.00	\$ 183,794.00	\$ 76,190.00	\$ 84,335.00	\$ 694,982.00	
TOTAL PERSONNEL EXPENSES =	\$ 611,999.00	\$ 34,284.00	\$ 242,499.00	\$ 83,915.00	\$ 203,156.00	\$ 424,745.00	\$ 1,600,598.00	\$ 1,600,598.00	\$ 827,916.00	\$ 446,641.00	\$ 368,629.00	\$ 3,243,784.00	
IIIB. OTHER EXPENSES													
(1) Contracted Services	\$ 11,203.00	\$ 126.00	\$ 4,442.00	\$ 126.00	\$ 504.00	\$ 9,846.00	\$ 26,247.00	\$ 26,247.00	\$ 15,425.00	\$ 30,269.00	\$ 5,055.00	\$ 76,996.00	
(2) Accounting & Legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,318.00	\$ -	\$ 23,682.00	\$ 27,000.00	
(3) Food, Health & Comfort	\$ 186,930.00	\$ 2,108.00	\$ 89,173.00	\$ 2,604.00	\$ 210.00	\$ 21,438.00	\$ 302,463.00	\$ 302,463.00	\$ 247,645.00	\$ 11,798.00	\$ 35,445.00	\$ 597,351.00	
(4) Conferences and Meetings	\$ 2,218.00	\$ 230.00	\$ 707.00	\$ 284.00	\$ 913.00	\$ 2,898.00	\$ 7,250.00	\$ 7,250.00	\$ 2,949.00	\$ 5,331.00	\$ 19,877.00	\$ 35,407.00	
(5) Occupancy: Insurance	\$ 33,653.00	\$ 198.00	\$ 11,949.00	\$ 358.00	\$ -	\$ 7,213.00	\$ 53,371.00	\$ 53,371.00	\$ 73,536.00	\$ 13,236.00	\$ 13,073.00	\$ 153,216.00	
(6) Occupancy: Maintenance & Repairs	\$ 31,145.00	\$ 264.00	\$ 10,630.00	\$ 1,187.00	\$ -	\$ 7,685.00	\$ 50,911.00	\$ 50,911.00	\$ 68,380.00	\$ 6,476.00	\$ 1,378.00	\$ 127,145.00	
(7) Occupancy: Utilities and phone	\$ 82,860.00	\$ 805.00	\$ 30,055.00	\$ 1,840.00	\$ 253.00	\$ 15,640.00	\$ 131,453.00	\$ 131,453.00	\$ 151,393.00	\$ 19,946.00	\$ 7,748.00	\$ 310,540.00	
(8) Occupancy: Rent	\$ 4,187.00	\$ 143.00	\$ 4,117.00	\$ -	\$ -	\$ 15,354.00	\$ 23,801.00	\$ 23,801.00	\$ 142,905.00	\$ 28,826.00	\$ 7,301.00	\$ 202,833.00	
(9) Occupancy: Licenses & Permits	\$ 2,641.00	\$ 510.00	\$ 760.00	\$ 30.00	\$ 879.00	\$ 1,045.00	\$ 5,865.00	\$ 5,865.00	\$ 2,322.00	\$ 591.00	\$ 5,069.00	\$ 13,847.00	
(10) Office Expenses	\$ 11,797.00	\$ 222.00	\$ 15,408.00	\$ 1,272.00	\$ 364.00	\$ 15,195.00	\$ 44,258.00	\$ 44,258.00	\$ 37,476.00	\$ 35,369.00	\$ 32,149.00	\$ 149,252.00	
(11) Vehicle & Equipment Maintenance	\$ 13,422.00	\$ 262.00	\$ 4,556.00	\$ 1,284.00	\$ 489.00	\$ 2,248.00	\$ 22,261.00	\$ 22,261.00	\$ 26,774.00	\$ 11,011.00	\$ 22,638.00	\$ 82,684.00	
(12) Equipment Rental	\$ 6,091.00	\$ 336.00	\$ 3,268.00	\$ 517.00	\$ 784.00	\$ 5,636.00	\$ 16,632.00	\$ 16,632.00	\$ 10,286.00	\$ 6,075.00	\$ 3,962.00	\$ 36,955.00	
(13) Miscellaneous	\$ 120,764.00	\$ 296.00	\$ 5,024.00	\$ 440.00	\$ 216.00	\$ 2,225.00	\$ 128,965.00	\$ 128,965.00	\$ 198,742.00	\$ 26,068.00	\$ 25,867.00	\$ 379,642.00	
(14) Fundraising Prizes & Awards	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,093.00	\$ 132,093.00	
TOTAL OTHER EXPENSES =	\$ 506,911.00	\$ 5,500.00	\$ 180,089.00	\$ 9,942.00	\$ 4,612.00	\$ 106,423.00	\$ 813,477.00	\$ 813,477.00	\$ 981,151.00	\$ 194,996.00	\$ 335,337.00	\$ 2,324,961.00	
TOT. PERSONNEL & OTH. EXP. =	\$ 1,118,910.00	\$ 39,784.00	\$ 422,588.00	\$ 93,857.00	\$ 207,768.00	\$ 531,168.00	\$ 2,414,075.00	\$ 2,414,075.00	\$ 1,809,067.00	\$ 641,637.00	\$ 703,966.00	\$ 5,568,745.00	
IIIC. DISTRIBUTED INDIRECT COSTS													
(a) Other Support Costs (Optional)	\$ 159,300.00	\$ 8,926.00	\$ 65,136.00	\$ 22,213.00	\$ 51,999.00	\$ 115,858.00	\$ 423,432.00	\$ -	\$ 423,432.00	\$ 218,205.00	\$ (641,637.00)	\$ -	
(b) Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
TOT. DISTR'D INDIRECT COSTS =	\$ 159,300.00	\$ 8,926.00	\$ 65,136.00	\$ 22,213.00	\$ 51,999.00	\$ 115,858.00	\$ 423,432.00	\$ 423,432.00	\$ 218,205.00	XXXXXXXXXX	XXXXXXXXXX	\$ 641,637.00	
TOTAL ACTUAL OPER. EXPENSES =	\$ 1,278,210.00	\$ 48,710.00	\$ 487,724.00	\$ 116,070.00	\$ 259,767.00	\$ 647,026.00	\$ 2,837,507.00	\$ 2,837,507.00	\$ 2,027,272.00	\$ -	\$ 703,966.00	\$ 5,568,745.00	
IIID. UNALLOWABLE COSTS													
	\$ 726.39	\$ 40.70	\$ 297.01	\$ 101.29	\$ 237.11	\$ 528.29	\$ 1,930.79	\$ 1,930.79	\$ 994.98	XXXXXXXXXX	XXXXXXXXXX	\$ 2,925.77	
TOT. ALLOWABLE OPER. EXP. =	\$ 1,277,483.61	\$ 48,669.30	\$ 487,426.99	\$ 115,968.71	\$ 259,529.89	\$ 646,497.71	\$ 2,835,576.21	\$ 2,835,576.21	\$ 2,026,277.02	XXXXXXXXXX	\$ 703,966.00	\$ 5,565,819.23	