

HAVEN RECOVERY CENTER, INC.

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

HAVEN RECOVERY CENTER, INC.
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JUNE 30, 2012 AND 2011

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JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Haven Recovery Center, Inc.:

We have audited the accompanying statements of financial position of Haven Recovery Center, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Haven Recovery Center, 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 Haven Recovery Center, Inc. as of June 30, 2012 and 2011, 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 November 14, 2012, on our consideration of Haven Recovery Center, 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 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 should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance and State Matching of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Section 215.97, Florida Statutes, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedure in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Daytona Beach, Florida
November 14, 2012

HAVEN RECOVERY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	2012	2011
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 1,210,183	\$ 1,675,143
Accounts receivable	1,040,603	325,461
Other receivables	7,366	3,805
Prepaid expenses and deposits	112,600	117,676
Total current assets	2,370,752	2,122,085
Property and equipment, net		
Land	1,563,985	1,484,929
Construction in progress	124,597	99,834
Building and improvements	7,873,882	7,327,106
Furniture and equipment	516,748	506,234
Vehicles	344,341	320,827
	10,423,553	9,738,930
Less: Accumulated depreciation	2,920,080	2,503,079
Total property and equipment, net	7,503,473	7,235,851
Total Assets	\$ 9,874,225	\$ 9,357,936
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 86,772	\$ 48,061
Accrued expenses	326,193	240,246
Deferred revenue	4,428	261
Refundable advances	101,795	102,935
Security deposits	17,688	11,543
Mortgage payable, current portion	20,387	19,204
Total current liabilities	557,263	422,250
Long-term debt		
Mortgage payable, net of current portion	505,441	525,438
Total liabilities	1,062,704	947,688
Net assets		
Unrestricted:		
Undesignated	1,833,876	1,719,039
Invested in property and equipment, net of related debt	6,977,645	6,691,209
Total net assets	8,811,521	8,410,248
Total Liabilities and Net Assets	\$ 9,874,225	\$ 9,357,936

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

HAVEN RECOVERY CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
UNRESTRICTED NET ASSETS		
Revenue, gains and other support		
Contributions		
Harley Davidson raffle	\$ 405,605	\$ 397,805
Other	44,923	53,730
In-kind donations		
Program materials and services	272,557	247,304
Harley Davidson raffle	73,850	73,880
Property and equipment	48,800	-
Federal grants	2,608,754	2,848,068
State grants	2,570,880	1,835,678
Local grants	850,436	824,315
United Way allocation and special grants	83,528	114,620
Food stamps	290,318	236,974
Program service income	213,034	224,865
CHDO Rent	223,519	173,914
Interest income	1,576	7,055
Miscellaneous revenue	5,714	10,012
Total revenue, gains and other support	7,693,494	7,048,220
Expenses		
Program services:		
Residential programs	4,034,117	3,984,571
Other program services	2,381,599	2,103,698
Total program services	6,415,716	6,088,269
Management and general	492,413	370,819
Fundraising	384,092	360,287
Total expenses	7,292,221	6,819,375
Change in net assets	401,273	228,845
Net assets, beginning of year	8,410,248	7,488,454
Net assets acquired through merger	-	692,949
Net assets, end of year	\$ 8,811,521	\$ 8,410,248

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

HAVEN RECOVERY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services							Supporting Services				
	Residential Programs				Other Program Services			Total Program Services	Management and General	Fundraising	Program Administration	Total Expenses
	Men's Residential	Serenity West	Women with Dependent Children	Women's Residential	Case Management	Community Services & Assessments	Permanent Housing					
Expenses												
Salaries and wages	\$ 576,441	\$ 373,818	\$ 151,997	\$ 415,401	\$ 157,545	\$ 566,162	\$ 195,580	\$ 2,436,944	\$ 251,939	\$ 110,747	\$ 605,614	\$ 3,405,244
Employee benefits	156,904	102,985	38,902	103,545	45,408	137,117	48,178	633,039	65,813	26,509	137,673	863,034
Contracted services	10,830	5,995	2,764	10,784	32	4,268	1,540	36,213	3,776	125	59,619	99,733
Accounting and legal	-	-	-	-	-	-	-	-	83,358	-	-	83,358
Food, health, and comfort	191,860	171,234	28,566	150,068	213	20,795	22,095	584,831	1,553	26,014	14,793	627,191
Conferences and meetings	2,813	2,010	777	2,400	563	7,950	594	17,107	5,049	19,928	7,451	49,535
Occupancy costs:												
Insurance	30,844	24,992	5,758	18,698	1,285	11,152	65,797	158,526	9,199	5,884	9,637	183,246
Maintenance and repairs	64,206	58,655	8,974	54,688	351	6,927	99,538	293,339	2,445	23,729	26,862	346,375
Utilities and phone	86,001	86,714	9,887	64,987	4,078	24,129	102,331	378,127	5,623	2,983	26,283	413,016
Rent	4,333	-	29,400	2,383	-	26,198	199,138	261,452	7,128	-	31,883	300,463
Licenses and permits	2,430	2,636	755	2,026	2,388	2,874	760	13,869	13,755	4,910	2,535	35,069
Office expense	14,324	14,949	2,483	22,228	884	13,353	26,036	94,257	5,848	8,201	57,366	165,672
Vehicle and equipment maintenance	1,997	3,313	493	4,649	-	49	1,282	11,783	938	5,426	4,185	22,332
Equipment rental	9,865	8,372	3,319	8,952	1,236	10,702	2,002	44,448	4,946	689	14,151	64,234
Miscellaneous	2,375	1,864	1,153	2,331	160	2,024	7,961	17,868	25,899	(8)	905	44,664
Fundraising prizes and awards	-	-	-	-	-	-	-	-	-	141,627	-	141,627
Total expenses before program administration allocation, interest and depreciation	<u>1,155,223</u>	<u>857,537</u>	<u>285,228</u>	<u>863,140</u>	<u>214,143</u>	<u>833,700</u>	<u>772,832</u>	<u>4,981,803</u>	<u>487,269</u>	<u>376,764</u>	<u>998,957</u>	<u>6,844,793</u>
Program administration allocation	238,267	154,514	62,827	171,702	65,120	234,018	80,841	1,007,289	-	-	(1,007,290)	(1)
Interest	11,087	-	-	20,671	-	-	-	31,758	-	-	-	31,758
Depreciation	111,280	44,974	10,595	47,072	-	1,225	179,720	394,866	5,144	7,328	8,333	415,671
Total program administration allocation, interest and depreciation	<u>360,634</u>	<u>199,488</u>	<u>73,422</u>	<u>239,445</u>	<u>65,120</u>	<u>235,243</u>	<u>260,561</u>	<u>1,433,913</u>	<u>5,144</u>	<u>7,328</u>	<u>(998,957)</u>	<u>447,428</u>
Total Expenses	<u>\$ 1,515,857</u>	<u>\$ 1,057,025</u>	<u>\$ 358,650</u>	<u>\$ 1,102,585</u>	<u>\$ 279,263</u>	<u>\$ 1,068,943</u>	<u>\$ 1,033,393</u>	<u>\$ 6,415,716</u>	<u>\$ 492,413</u>	<u>\$ 384,092</u>	<u>\$ -</u>	<u>\$ 7,292,221</u>

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

HAVEN RECOVERY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Services							Supporting Services				
	Residential Programs			Other Program Services				Total Program Services	Management and General	Fundraising	Program Administration	Total Expenses
	Men's Residential	Serenity West	Women with Dependent Children	Women's Residential	Case Management	Community Services & Assessments	Permanent Housing					
Expenses												
Salaries and wages	\$ 567,699	\$ 370,679	\$ 130,775	\$ 459,855	\$ 151,167	\$ 529,471	\$ 184,050	\$ 2,393,696	\$ 187,133	\$ 107,583	\$ 529,033	\$ 3,217,445
Employee benefits	153,910	100,504	37,073	108,836	44,686	132,524	50,413	627,946	61,545	25,055	126,038	840,584
Contracted services	11,735	7,126	2,558	8,691	42	6,147	2,565	38,864	11,873	250	40,922	91,909
Accounting and legal	-	-	-	-	-	-	-	-	37,513	-	-	37,513
Food, health, and comfort	156,532	160,238	48,744	135,622	504	27,252	15,002	543,894	839	7,144	9,276	561,153
Conferences and meetings	2,995	2,970	513	3,498	962	6,561	520	18,019	2,131	18,306	7,395	45,851
Occupancy costs:												
Insurance	32,391	25,179	6,408	17,179	859	9,069	50,617	141,702	9,100	3,577	16,526	170,905
Maintenance and repairs	64,767	69,339	9,550	58,818	708	6,808	50,381	260,371	1,935	33,222	17,631	313,159
Utilities and phone	85,054	95,861	10,165	69,126	4,616	24,031	86,254	375,107	5,086	3,730	27,609	411,532
Rent	4,937	-	29,400	4,767	-	24,457	158,689	222,250	7,128	-	34,475	263,853
Licenses and permits	1,827	2,084	482	1,219	26	103	790	6,531	14,813	4,949	1,613	27,906
Office expense	16,134	17,639	5,373	22,961	636	17,552	12,529	92,824	2,438	2,640	58,474	156,376
Vehicle and equipment maintenance	5,514	6,273	1,025	4,914	-	33	562	18,321	245	5,869	3,999	28,434
Equipment rental	7,206	6,317	2,750	7,290	1,393	8,276	1,530	34,762	3,820	622	9,760	48,964
Miscellaneous	3,357	1,532	726	1,854	287	1,200	12,874	21,830	18,842	25	1,005	41,702
Fundraising prizes and awards	-	-	-	-	-	-	-	-	-	140,140	-	140,140
Total expenses before program administration allocation, interest and depreciation	<u>1,114,058</u>	<u>865,741</u>	<u>285,542</u>	<u>904,630</u>	<u>205,886</u>	<u>793,484</u>	<u>626,776</u>	<u>4,796,117</u>	<u>364,441</u>	<u>353,112</u>	<u>883,756</u>	<u>6,397,426</u>
Program administration allocation	211,840	138,322	48,800	171,598	56,409	197,576	68,680	893,225	-	-	(893,225)	-
Interest	11,436	-	-	21,379	-	-	-	32,815	-	-	-	32,815
Depreciation	110,488	44,881	10,595	45,261	-	1,225	153,662	366,112	6,378	7,175	9,469	389,134
Total program administration allocation, interest and depreciation	<u>333,764</u>	<u>183,203</u>	<u>59,395</u>	<u>238,238</u>	<u>56,409</u>	<u>198,801</u>	<u>222,342</u>	<u>1,292,152</u>	<u>6,378</u>	<u>7,175</u>	<u>(883,756)</u>	<u>421,949</u>
Total Expenses	<u>\$ 1,447,822</u>	<u>\$ 1,048,944</u>	<u>\$ 344,937</u>	<u>\$ 1,142,868</u>	<u>\$ 262,295</u>	<u>\$ 992,285</u>	<u>\$ 849,118</u>	<u>\$ 6,088,269</u>	<u>\$ 370,819</u>	<u>\$ 360,287</u>	<u>\$ -</u>	<u>\$ 6,819,375</u>

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

HAVEN RECOVERY CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	\$ 401,273	\$ 228,845
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	415,671	389,134
In-kind donation of property and equipment	(48,800)	-
(Increase) decrease in operating assets		
Accounts receivable	(715,142)	19,487
Other receivables	(3,561)	10,573
Prepaid expenses and deposits	5,076	1,870
Increase (decrease) in operating liabilities		
Accounts payable	38,711	(54,751)
Accrued expenses	85,947	31,720
Deferred revenue	4,167	(719)
Refundable advances	(1,140)	(2,519)
Security deposits	6,145	1,334
Net cash provided by operating activities	188,347	624,974
Cash flows from investing activities		
Purchase of property and equipment	(634,493)	(226,199)
Sale of certificates of deposit	-	98,027
Net cash used in investing activities	(634,493)	(128,172)
Cash flows from financing activities		
Principal payments on mortgage	(18,814)	(17,755)
Cash acquired through merger	-	313,167
Net cash provided by (used in) financing activities	(18,814)	295,412
Net increase (decrease) in cash and cash equivalents	(464,960)	792,214
Cash and cash equivalents, beginning of year	1,675,143	882,929
Cash and cash equivalents, end of year	<u>\$ 1,210,183</u>	<u>\$ 1,675,143</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 31,758	\$ 32,815
Noncash financing activities		
Noncash assets and liabilities acquired through merger		
Accounts receivable	\$ -	\$ 1,511
Other assets	-	8,093
Prepaid expenses	-	3,357
Property and equipment, net	-	801,747
Accounts payable	-	(60,750)
Long-term debt	-	(374,176)
	\$ -	\$ 379,782

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

HAVEN RECOVERY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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

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

(a) **Organization**—Haven Recovery Center, Inc. was previously known as Serenity House of Volusia, Inc. Effective July 1, 2010, the assets and liabilities of Community Out-Reach Services, Inc. were merged into Serenity House of Volusia, Inc. to become Haven Recovery Center, Inc. The Organization is a not-for-profit corporation incorporated under the laws of the State of Florida whose mission is to provide residential and outpatient substance abuse and mental health treatment, counseling and rehabilitation. The Organization has eight locations throughout Volusia County providing these services. In addition, the Organization has twenty-eight 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, 2012 and 2011.

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, 2012 and 2011.

(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.

HAVEN RECOVERY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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

(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 other nonprofit 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 \$415,671 and \$389,134 was functionally allocated based on use by program services and supporting services for the years ended June 30, 2012 and 2011. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	7 – 30 years
Furniture and equipment	5 – 7 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. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports that support as unrestricted.

(i) **Refundable advances (Harley raffle)**—The Organization solicits contributions for raffle tickets at various locations and special events during the year. For the years ended June 30, 2012 and 2011, one raffle drawing was held, in March of each year. 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.

(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.

HAVEN RECOVERY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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

(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 advanced registered nurse practitioner 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, 2012 and 2011, 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 2009. 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) **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.

(p) **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.

(q) **Subsequent events**—The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 14, 2012, the date the financial statements were available to be issued. No subsequent events are recognized or disclosed.

HAVEN RECOVERY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

(2) **Line of Credit:**

The Organization has a line of credit with a financial institution, expiring in August 2012. The line bears interest at the greater of 5% or Wall Street Journal prime rate plus 1% (4.25% at June 30, 2012), with interest due monthly. The line is collateralized by substantially all assets of the Organization. The line is available up to \$100,000 and no balance was outstanding at June 30, 2012 and 2011. Subsequent to year-end, the line of credit was renewed for an additional year and will expire in August 2013.

The Organization also has a \$30,000 line of credit with another financial institution. The line bears interest at Wall Street Journal prime rate plus 3% (6.25% at June 30, 2012), with a 6% floor. The line is collateralized by substantially all assets of the Organization. There was no balance outstanding at June 30, 2012 and 2011. This line was increased to \$100,000 in August 2012, subsequent to year end.

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

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

	2012	2011
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.	\$ 175,889	\$ 182,230
Mortgage payable to financial institution, due in monthly installments of \$2,762 including interest at 5.70%, balloon payment due July 2014, collateralized by property located at 245 S. Amelia Avenue, Deland, FL	349,939	362,412
Total long-term debt	525,828	544,642
Less: Current portion	20,387	19,204
Total long-term debt, less current portion	\$ 505,441	\$ 525,438

Following are maturities on long-term debt:

Year Ending June 30,	Amount
2013	\$ 20,387
2014	343,527
2015	7,660
2016	8,120
2017	8,660
Thereafter	137,474
	\$ 525,828

HAVEN RECOVERY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

(4) **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. For the years ended June 30, 2012 and 2011, the Organization made contributions to the plan on behalf of its employees totaling \$55,383 and \$58,496, respectively.

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

During the years ended June 30, 2012 and 2011, donated materials and services received 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>2012</u>	<u>2011</u>
Contracted services	\$ 23,234	\$ 10,281
Food, health, and comfort	210,948	190,351
Conferences and meetings	3,550	2,400
Occupancy costs – maintenance and repairs	10,424	18,231
Office expense	300	577
Equipment and maintenance	24,101	25,465
	<u>\$ 272,557</u>	<u>\$ 247,304</u>
Property and equipment	<u>\$ 48,800</u>	<u>\$ -</u>
Harley Davidson Raffle – giveaways and special event show space	<u>\$ 73,850</u>	<u>\$ 73,880</u>

(6) **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, 2012.

<u>Year Ending June 30,</u>	
2013	\$ 145,311
2014	70,364
2015	63,444
2016	60,879
2017	39,447
Thereafter	51,000
	<u>\$ 430,445</u>

For the years ended June 30, 2012 and 2011, rent expense was \$300,463 and \$263,853, respectively.

HAVEN RECOVERY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

(7) **Related Party:**

The Organization 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 years ended June 30, 2012 and 2011, there was no activity within the Foundation and, therefore, it has not been consolidated into these financial statements.

(8) **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 \$1,297,285 with three banks at June 30, 2012. 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. The Organization did not have any demand deposits in excess of FDIC protection at June 30, 2012. At June 30, 2011, the Organization had demand deposits in excess of FDIC protection of \$124,388.

SUPPLEMENTARY INFORMATION

HAVEN RECOVERY CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE,
AND STATE MATCHING OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal/ State Grantor Agency Pass Through Grantor Federal Program/ State Project	CFDA/ CSFA Number	Funding Period	Agency or Pass-Through Number	Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct				
HUD Supportive Housing Program	14.235	9/1/10-8/31/11	FL0073B4H040802	\$ 13,072
HUD Supportive Housing Program	14.235	9/1/11-8/31/12	FL0073B4H040803	159,110
HUD Supportive Housing Program	14.235	9/1/10-8/31/11	FL0068B4H040802	12,524
HUD Supportive Housing Program	14.235	9/1/11-8/31/12	FL0068B4H040803	113,391
HUD Supportive Housing Program	14.235	10/1/10-9/30/11	FL0061B4H040802	15,372
HUD Supportive Housing Program	14.235	10/1/11-9/30/12	FL0061B4H040803	41,326
HUD Supportive Housing Program	14.235	11/1/10-10/31/11	FL0063B4H040802	5,919
HUD Supportive Housing Program	14.235	11/1/11-10/31/12	FL0063B4H41003	16,385
HUD Supportive Housing Program	14.235	4/1/11-3/31/12	FL0064B4H041003	141,113
HUD Supportive Housing Program	14.235	4/1/12-3/31/13	FL0064B4H041104	41,257
HUD Supportive Housing Program	14.235	10/1/10-9/30/11	FL29B604001	12,081
HUD Supportive Housing Program	14.235	10/1/11-9/30/12	FL0354B4H041001	32,797
HUD Supportive Housing Program	14.235	2/1/11-1/31/12	FL0059B4H040800	25,082
HUD Supportive Housing Program	14.235	2/1/12-1/31/13	FL0059B4H040800	18,245
HUD Supportive Housing Program	14.235	11/1/10-10/31/11	FL0326B4H040900	13,952
HUD Supportive Housing Program	14.235	11/1/11-10/31/12	FL0326B4H040900	30,783
HUD Supportive Housing Program	14.235	10/1/11-9/30/12	FL0372B4H041000	33,823
				<u>726,232</u>
Passed through County of Volusia Community Development Homeless Prevention and Repaid Re-Housing (ARRA)	14.257	9/29/09-7/15/12	09-Q-17DS	<u>6,678</u>
Passed through City of Deltona, Florida Community Development Block Grant	14.218	10/1/11-9/30/12	N/A	<u>7,240</u>
Passed through County of Volusia Community Development Community Development Block Grant	14.218	1/1/10-12/31/12	1023 Grand Hickory	88,875
Community Development Block Grant	14.218	1/1/10-12/31/12	1002 Grand Hickory	75,827
Community Development Block Grant	14.218	1/1/10-12/31/12	533 E. New York	131,901
Community Development Block Grant	14.218	1/1/10-12/31/12	1508 Primrose	70,912
Total Passed through County of Volusia Community Development Total Community Development Block Grant				<u>367,515</u> <u>374,755</u>
Passed through County of Volusia Community Development Home Investment Partnerships Program	14.239	7/1/2011	946 15th St #103	46,000
Home Investment Partnerships Program	14.239	7/1/2011	916 N. Amelia	172,177
Total Passed through County of Volusia Community Development				<u>218,177</u>
Passed through City of Daytona Beach Community Development Home Investment Partnerships Program	14.239	6/24/2010	Tanglewood Renovations	108,006
Total Home Investment Partnerships Program				<u>326,183</u>
Total Department of Housing and Urban Development				<u>1,433,848</u>

HAVEN RECOVERY CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE,
AND STATE MATCHING OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)

Federal/ State Grantor Agency Pass Through Grantor Federal Program/ State Project	CFDA/ CSFA Number	Funding Period	Agency or Pass- Through Number	Expenditures
U.S. DEPARTMENT OF VETERANS AFFAIRS				
Direct				
VA Homeless Providers Grant and Per Diem Program	64.024	7/1/11-6/30/12	V573P-6035	680,800
VA Homeless Providers Grant and Per Diem Program	64.024	7/1/11-6/30/12	01-43-FL	163,851
Total U.S. Department of Veterans Affairs				<u>844,651</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through County of Volusia Community Development Edward Byrne Memorial Justice Assistance Grant Program	16.738	10/1/11-9/30/12	2012-JAGC- VOLU-6-C4-181	29,632
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10/1/10-9/30/11	2011-JAGC- VOLU-3B2-151	5,177
Total U.S. Department of Justice/JAG Program Cluster				<u>34,809</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Florida Department of Children and Families Temporary Assistance for Needy Families	93.558	7/1/11-6/30/12	ND-041/39A18	81,449
Temporary Assistance for Needy Families Total TANF Cluster	93.558	7/1/11-6/30/12	ND-041/39TCO	<u>23,100</u> 104,549
Passed through Florida Department of Children and Families Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/11-6/30/12	ND-041/ 27WOM	74,825
Passed through Florida Department of Children and Families Projects for Assistance in Transition from Homelessness (PATH)	93.150	7/1/11-6/30/12	ND-041/ GX018	102,925
Total U.S. Department of Health and Human Services				<u>282,299</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through United Way of Volusia/Flagler Counties Emergency Food and Shelter National Board Program	97.024	1/1/11-3/31/12	Phase 29	13,147
Total U.S. Department of Homeland Security				<u>13,147</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 2,608,754</u></u>

HAVEN RECOVERY CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE,
AND STATE MATCHING OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

(Continued)

Federal/ State Grantor Agency Pass Through Grantor Federal Program/ State Project	CFDA/ CSFA Number	Funding Period	Agency or Pass- Through Number	Expenditures
FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES				
Direct				
Substance Abuse Treatment and Aftercare for Adults	60.033	7/1/11-6/30/12	ND-041/TRTAS	\$ 1,735,469
Adult Substance Abuse - Treatment and Aftercare	60.101	7/1/11-6/30/12	ND-041/SPJAS	396,900
Adult Community Mental Health	60.053	7/1/11-6/30/12	ND-041/ARRS1	392,564
Passed through SMA Behavioral Healthcare				
Adult Community Mental Health	60.053	7/1/11-6/30/12	N/A	40,000
Total Adult Community Mental Health				432,564
Total Florida Department of Children and Families				2,564,933
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE				\$ 2,564,933
State Matching of Federal Awards - DPG08 (93.959)	N/A	7/1/11-6/30/12	ND-041	4,142
State Matching of Federal Awards - 39TCO (93.558)	N/A	7/1/11-6/30/12	ND-041	1,805
				5,947
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE AND MATCHING OF FEDERAL AWARDS				\$ 2,570,880

The accompanying notes to the schedule of expenditures of federal awards, state financial assistance,
and state matching of federal awards are an integral part of this statement.

HAVEN RECOVERY CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS,
STATE FINANCIAL ASSISTANCE, AND MATCHING OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards, State Financial Assistance, and Matching of Federal Awards includes federal award and state financial assistance activity of Haven Recovery Center, Inc. and is 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:**

Haven Recovery Center, Inc. did not pass any Federal awards or state financial assistance on to a sub recipient during the fiscal year ended June 30, 2012.

**INDEPENDENT AUDITORS' 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
Haven Recovery Center, Inc.:

Compliance

We have audited Haven Recovery Center, Inc.'s (the Organization's) compliance with the types of compliance requirements described in the *OMB 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, 2012. 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, *Audits of States, Local Governments, and Non-Profit Organizations*; and Section 10.650, Rules of the Auditor General. Those standards, 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, Haven Recovery Center, 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, 2012.

Internal Control Over Compliance

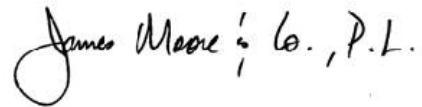
Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Organization's 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 over compliance 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.

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
November 14, 2012

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

**HAVEN RECOVERY CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

I. Summary of Auditors' Results:

Financial Statements:

- Type of audit report issued on the basic financial statements: Unqualified
- There were no significant deficiencies or material weaknesses 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 were no significant deficiencies or material weaknesses 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 no audit findings, which are required to be reported in accordance with Section 510(a) of Circular A-133.
- Major federal program identification:
CFDA Number 14.239 – HUD Home Investment Partnerships Program
CFDA Number 64.024 – VA Home Providers Grant and Per Diem Program
- Dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- Haven Recovery Center, Inc. did qualify as a low-risk auditee.

State Financial Assistance:

- There were no significant deficiencies or material weaknesses 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 60.101 – Adult Substance Abuse Treatment and Aftercare
- 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: None

IV. State Projects Findings and Questioned Costs: None

V. **Prior Audit Findings:** None

VI. **Corrective Action Plan:** There is no corrective action plan necessary for the year ended June 30, 2012 since there are no audit findings in the auditors' report.

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.

**INDEPENDENT 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
Haven Recovery Center, Inc.:

We have audited the financial statements of Haven Recovery Center, Inc. (the Organization), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 14, 2012. 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

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization'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 the Organization'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 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.

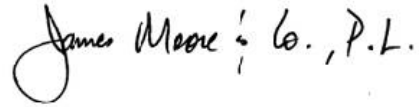
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Haven Recovery Center, 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 the Organization, in accordance with SAS 114, in a separate letter dated November 14, 2012.

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
November 14, 2012

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.