PSYCHOSOCIAL REHABILITATION CENTER, INC.
D/B/A FELLOWSHIP HOUSE
AND AFFILIATES
(A NOT-FOR-PROFIT CORPORATION)

COMBINED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2013

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1-3
COMBINED FINANCIAL STATEMENTS	
Combined Statement of Financial Position.	4
Combined Statement of Activities.	5
Combined Statement of Cash Flows	6
Combined Statement of Functional Expenses	7
Notes to Combined Financial Statements.	8-15
SUPPLEMENTAL INFORMATION	
Combining Statement of Financial Position.	16
Combining Statements of Activities.	17
Schedule of Program/Cost Center Actual Expenses and Revenues	18-19
Schedule of State Earnings	20
Schedule of Expenditures of Federal Awards and State Financial Assistance. .	21
Notes to the Schedule of Federal Awards and State Financial Assistance	22
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined financial statements Performed in Accordance with *Government Auditing Standards*. . .	23-24
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650 Rules of the Auditor General.	25-26
Schedule of Findings and Questioned Costs - Federal Awards Programs and State Financial Assistance Projects.	27-28
Summary Schedule of Prior Year Audit Findings	29

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Psychosocial Rehabilitation Center, Inc. d/b/a Fellowship House
Miami, Florida

Report on the Financial Statements

We have audited the accompanying combined financial statements of Psychosocial Rehabilitation Center, Inc. d/b/a Fellowship House ("Fellowship House") and affiliates (collectively the "Organization"), a not-for-profit organization, which comprise the combined statement of financial position as of June 30, 2013, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was 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, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, Rules of the Auditor General of the State of Florida, the schedule of program cost center expense actual expenses and revenues, the schedule of state earnings, as required by the Florida Department of Children and Families (the "Department"), *Guide to Performance Contracting for Alcohol, Drug Abuse and Mental Health Services*; are presented for purposes of additional analysis and are not a required part of the financial statements. The combining statement of financial position and combining statement of activities is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Correction of Error

As described in Note 11 to the combined financial statements, beginning temporarily restricted net assets of the Organization as of June 30, 2013 has been restated to include the effects of a grant award that was recorded as unearned revenue in previous years. Our opinion is not modified with respect to that matter.

Change in Reporting Entity

As discussed in Note 11 to the combined financial statements, the Organization had a change in reporting entity for the year ended June 30, 2013.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013, on our consideration of the Fellowship House'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* in considering the Fellowship House's internal control over financial reporting and compliance.

Verdeja & De Armas, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
November 5, 2013

PSYCHO-SOCIAL REHABILITATION CENTER, INC.
D/B/A FELLOWSHIP HOUSE, AND AFFILIATES
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
ASSETS			
Cash and cash equivalents	$ 1,174,503	$ -	$ 1,174,503
Cash - Temporarily restricted	-	100,000	100,000
Cash - Member trust funds	69,165	-	69,165
Receivables:			
Supporting agenices	690,143	-	690,143
Medicaid and other third party providers	470,434	-	470,434
Members	1,550	-	1,550
Other	4,728	-	4,728
Prepaid expenses	134,889	-	134,889
Property and equipment - net	3,445,233	658,724	4,103,957
Other assets	103,127	-	103,127
TOTAL ASSETS	$ 6,093,772	$ 758,724	$ 6,852,496
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts payable and accrued expenses	$ 583,429	$ -	$ 583,429
Notes and mortgages payable	2,138,960	-	2,138,960
Member trust funds payable	69,165	-	69,165
TOTAL LIABILITIES	2,791,554	-	2,791,554
COMMITMENTS AND CONTINGENICIES			
NET ASSETS	3,302,218	758,724	4,060,942
TOTAL LIABILITIES AND NET ASSETS	$ 6,093,772	$ 758,724	$ 6,852,496

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

PSYCHO-SOCIAL REHABILITATION CENTER, INC.
D/B/A FELLOWSHIP HOUSE, AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Provider fees - Medicaid and other third parties	$ 5,710,481	$ -	$ 5,710,481
Grants:			
U.S. Department of Housing and Urban Development	-	293,736	293,736
U.S. Department of Transportation	-	123,193	123,193
State of Florida - South Florida Behavioral Health Network, Inc.	-	2,860,991	2,860,991
State of Florida - Department of Elder Affairs	-	248,387	248,387
Metropolitan Dade County	-	24,453	24,453
Other	-	12,718	12,718
Residential and other program fees	533,539	-	533,539
Contributions Corporate and Individuals	41,838	100,000	141,838
Local Contributions	24,966	-	24,966
Miscellaneous	50,250	-	50,250
Net assets released from restrictions:			
Satisfaction of purpose restrictions	3,600,248	(3,600,248)	-
TOTAL REVENUE AND SUPPORT	9,961,322	63,230	10,024,552
OPERATING EXPENSES			
Program services	6,578,876	-	6,578,876
Supporting services	1,711,933	-	1,711,933
Management and general	1,188,016	-	1,188,016
TOTAL OPERATING EXPENSES	9,478,825	-	9,478,825
CHANGE IN NET ASSETS	482,497	63,230	545,727
NET ASSETS - beginning of year, as restated	2,819,721	695,494	3,515,215
NET ASSETS - end of year	3,302,218	758,724	4,060,942

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

PSYCHO-SOCIAL REHABILITATION CENTER, INC.
D/B/A FELLOWSHIP HOUSE, AND AFFILIATES
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	Total
OPERATING ACTIVITIES	
Change in Net Assets	$ 545,727
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activites:	
Depreciation	279,345
Changes in Operating Assets and Liabilites:	
(Increase) Decrease in Operating Assets:	
Accounts Receivable	(245,114)
Prepaid	70,344
Other Assets	(26,534)
Decrease in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	(60,301)
NET CASH PROVIDED BY OPERATING ACTIVITIES	563,467
CASH FLOWS FROM INVESTING ACTIVITES	
Acquisition of property and equipment	(242,246)
NET CASH USED IN INVESTING ACTIVITIES	(242,246)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on mortgage and notes payable	(107,969)
Proceeds on line of credit	100,000
NET CASH USED IN FINANCING ACTIVITIES	(7,969)
NET INCREASE IN CASH	313,252
CASH, beginning of year	1,030,416
CASH, end of year	$ 1,343,668

SUPPLEMENTARY INFORMATION	
Interest Paid	$ 107,115

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

PSYCHO-SOCIAL REHABILITATION CENTER, INC.
D/B/A FELLOWSHIP HOUSE, AND AFFILIATES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	PROGRAM SERVICES										SUPPORTING SERVICES		
	RESIDENTIAL												
	LEVEL II	LEVEL IV-V	COMPREHENSIVE COMMUNITY SERVICE TEAMS	BEHAVIORAL HEALTH	DAY/NIGHT	SUPPORTED EMPLOYMENT	CASE MANAGEMENT	CLUBHOUSE	FACT	TOTAL	OTHER SUPPORT COSTS	MANAGEMENT AND GENERAL	TOTAL
Salaries	$ 318,339	$ 240,942	$ -	$ 522,287	$ 702,505	$ 21,391	$ 1,058,100	$ 88,716	$ 654,090	$ 3,606,370	$ 785,257	$ 712,610	$ 5,104,237
Fringe Benefits	49,885	55,619	-	72,645	138,592	3,770	214,951	12,940	97,609	646,011	167,044	111,091	924,146
TOTAL PERSONNEL COSTS	368,224	296,561	-	594,932	841,097	25,161	1,273,051	101,656	751,699	4,252,381	952,301	823,701	6,028,383
Building Occupancy	56,915	334,525	-	6,117	196,305	12,057	183,919	5,261	120,258	915,357	211,894	27,244	1,154,495
Professional Services	880	-	-	29,566	19,314	-	228	-	-	49,988	10,623	62,200	122,811
Travel	-	6,145	-	4,879	788	-	18,974	78	12,919	43,783	14,892	7,751	66,426
Equipment Costs	7,025	1,195	-	1,166	12,362	782	11,790	2,502	28,884	65,706	159,422	34,393	259,521
Food Services	33,238	2,087	-	-	226,575	-	12	10,084	2,302	274,298	2,259	1,866	278,423
Insurance	56,820	34,723	-	15,783	28,410	6,313	56,820	15,783	15,783	230,435	44,193	41,037	315,665
Interest	-	-	-	1,341	69,828	-	12,047	-	20,602	103,818	468	2,860	107,146
Operating Supplies and Expenses	27,653	74,373	-	2,479	43,474	3,671	24,469	7,104	148,934	332,157	277,181	151,028	760,366
Total Expenses Before Depreciation and Amortization	550,755	749,609	-	656,263	1,438,153	47,984	1,581,310	142,468	1,101,381	6,267,923	1,673,233	1,152,080	9,093,236
Depreciation and Amortization	97,917	1,750	-	-	91,221	-	-	13,821	-	204,709	38,700	35,936	279,345
Total Expenses Before Allocations and Other Expenses	648,672	751,359	-	656,263	1,529,374	47,984	1,581,310	156,289	1,101,381	6,472,632	1,711,933	1,188,016	9,372,581
Other Program Expenses	8,001	9,268	-	8,095	18,865	26,995	19,506	1,928	13,586	106,244	-	-	106,244
Allocation of Supporting Services	171,566	198,726	-	173,574	404,501	12,690	418,238	41,337	291,301	1,711,933	(1,711,933)	-	-
	828,239	959,353	-	837,932	1,952,740	87,669	2,019,054	199,554	1,406,268	8,290,809			9,478,825
Allocation of Management and General	119,060	137,908	-	120,454	280,708	8,807	290,241	28,686	202,152	1,188,016	-	(1,188,016)	-
TOTAL EXPENSES	$ 947,299	$ 1,097,261	$ -	$ 958,386	$ 2,233,448	$ 96,476	$ 2,309,295	$ 228,240	$ 1,608,420	$ 9,478,825	$ -	$ -	$ 9,478,825

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

NOTE 1 – ORGANIZATION

Organization and Purpose

Psychosocial Rehabilitation Center, Inc. d/b/a Fellowship House ("Fellowship House") was incorporated in the State of Florida in 1973, as a not-for-profit corporation, for the purpose of assisting former patients with a history of psychiatric disabilities by providing pre-vocational training and resocialization services. Fellowship House derives its principal support and revenue from grants from federal, state and county government agencies, third party provider fees including fees from the Florida Medicaid Program and rental charges to members. The following entities are combined within the combined financial statements as of June 30, 2013.

- Silver Bluff, Inc. ("Silver Bluff") was created by the Board of Directors of Fellowship House for the purpose of holding specific real estate assets and liabilities and has been reflected within Fellowship House's operations.

- Fellowship House Foundation, Inc. ("Foundation") was created by the Board of Directors of Fellowship House for the purpose of fundraising for the needs of the Fellowship House.

- Fellowship House Employment ("Fellowship Employment") was created by the Board of Trustee of Fellowship House for the purpose of providing employment fees for handicapped to maintain municipal facilities and/or tape proceedings at such facilities.

The accompanying combined financial statements include the accounts of the entities listed above along with the Fellowship House (together referred to as the Organization). They are presented on a combined basis because the four entities have the same management team, common board members, and are financially interrelated. All balances and transactions are eliminated on a combined basis.

The principal programs of the Organization are as follows:

Residential Program - Provides supervised residential facilities varying from twenty-four hour closely supervised group housing to satellite apartments providing assistance on an "on call" basis.

Day/Night Program - Provides community center activities and assists participants in developing daily living skills, social skills and general skills applicable to a work environment in addition to providing assistance in employment, including tailored job coach services both outside and within the workplace leading to stabilization in employment.

Behavioral Health Program - Provides professional assistance to participants with mental health treatment and therapeutic services including consultation and evaluation, medication management, treatment plan review and individual and group therapy to increase coping with mental illness and preventing relapse.

Case Management - Assists members in developing an awareness of and utilization of available community resources.

NOTE 1 – ORGANIZATION (Continued)

Fact Team Program - Provides comprehensive community based treatment and support to persons with severe and persistent mental illness through an accountable and mobile multidisciplinary organized mental health staff.

Club Fellowship - Utilizing a clubhouse model and a work ordered day, the program provides vocational instruction and employment opportunities to help members focus on their strengths and make proactive decisions regarding their treatment. Staff also provides job development services and assistance to members in applying for outside employment.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The combined financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Basis of Presentation

The Organization prepares its combined financial statements in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). The Organization is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets are the part of net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations. Generally, operating revenues and expenses have been recorded in the Unrestricted Fund.

Temporarily restricted net assets result from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be removed by actions of the organization pursuant to those stipulations. Temporarily restricted net assets as of June 30, 2013 have been designated by grantors to be used for providing residential facilities to mentally handicapped homeless adults.

Permanently restricted net assets result from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the organizations.

Cash and Cash Equivalents

The Organization considers investments in highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Concentration of Credit Risk

Cash and cash equivalents are exposed to credit risks. The Organization maintains its cash and cash equivalents in various bank deposit accounts that, at times, may exceed federally insured limits. To minimize risk, the Organization's cash accounts are placed with high credit quality financial institutions. The Organization regularly evaluates its depository arrangements and investment strategies

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The carrying amount of receivables approximates fair value because of the short-term nature of such receivables or the credit worthiness, interest rates, and collateral provided on long-term receivables. The carrying value of notes payable generally approximates fair value due to short-term maturities, adjustable interest rates and interest rates that are similar to current rates obtained by Organization. Borrowings and loans generally from government sources, for the acquisition of long-lived assets are reflected at face value when the use of the long-lived asset is stipulated by the government lender (grantor) and the sale or deviation from such stipulated use requires immediate repayment of the borrowing (grant).

Impairment of Long-Lived Assets

The Organization's management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2013, and in the opinion of management, there was no impairment.

Property and Equipment

Property and equipment are recorded at cost when purchased or constructed or at their estimated fair values when donated. Additions, improvements and expenditures for maintenance that add materially to productive capacity or extend the life of an asset are capitalized. Other expenditures for maintenance are charged to expenses. In the case of disposals, the assets and related reserves are removed from the accounts and the net amount, less proceeds from disposal, is charged or generally credited to income. Depreciation of property and equipment is computed by the straight line method over the estimated useful lives of the assets generally ranging from 5 to 25 years for buildings and improvements and from 3 to 10 years for furniture and equipment. In addition, The Organization evaluates the carrying value of long-lived assets when management makes a decision to dispose of the asset or circumstances indicate that the carrying amount of an asset may not be recoverable. The Organization compares the carrying amount of the asset to net future undiscounted cash flows that an asset is expected to generate. The impairment is recognized to the extent that the carrying value is greater than future cash flows.

Accounts Receivable

Accounts Receivable consists primarily of local, state and federal grants.

Allowance for accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. Management does not believe an allowance for doubtful accounts is necessary as of June 30, 2013.

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted revenue, which increases those net asset classes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services

Donated assets, if significant, are recorded as contributions at their estimated values at date of receipt. Donated services are recognized when there is an objective basis to measure such services and such services creates or enhances a non-financial asset or the service requires specialized skills that would be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time to the Organization that are not recognized since such contributed services do not meet the preceding criteria.

Revenue Recognition

It is the policy of the Organization is to record the total grant amount at the time of award and defer the unexpended portion until earned. Government funds restricted by grantor for plant acquisitions or operating purposes are deemed to be earned and reported as revenue when the Organization has incurred expenditures in compliance with the specific restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is a not-for-profit corporation exempt from taxation under Section 501 (c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes is required.

The Organization files its tax returns in the U.S. federal jurisdiction. With few exceptions, Fellowship House is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2009.

Estimates

The preparation of combined financial statements in accordance with accounting principles generally accepted in the United States requires the use of estimates and assumptions by management. Such estimates, which are based on prior operating history and industry standards, affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated subsequent events for potential recognition and disclosure through November 5, 2013 the date the combined financial statements were available to be issued.

NOTE 3 – RECOVERY OF PREVIOUSLY IMPAIRED MORTGAGE RECEIVABLE

In 2011, the Organization determined that a mortgage receivable was impaired and as such impaired the full amount of the mortgage receivable. During 2013, the Organization recovered $38,000 of the previously impaired mortgage receivable. This gain is being reflected on the combined statements of activity within miscellaneous revenue.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2013 consists of the following:

Land	$	2,278,520
Building and improvements		3,668,188
Furniture, fixtures and equipment		1,466,090
		7,412,798
Less accumulated depreciation and amortization		(3,308,841)
	$	4,103,957

Depreciation expense for the year ended June 30, 2013 totaled $279,345.

NOTE 5 – NOTES AND MORTGAGES PAYABLE

Notes and mortgages payable at June 30, 2013 consist of the following:

Note payable bank - Payable $12,171 monthly including interest at 325 basis points above the average yield on the five year U.S. Treasury Bill (4.66% as of June 30, 2013) with the remaining principal due and payable in September 2015. The note is collateralized by substantially all Fellowship House assets including mortgages on all real property owned or to be erected on such property.	$	1,709,504
Note payable bank - Principal is payable based on a ten year amortization plus annual interest at First National Bank of South Miami preferred rate plus 1.5%, however, not to be less than 6.5% (6.5% as of June 30, 2013) through maturity (April 2014) when the outstanding principal becomes due; collateralized by a security interest in substantially all Fellowship House real estate and provides for cross-defaults with the listed bank mortgages and notes payable.		190,448
Note payable bank - Payable $1,480 monthly plus interest at 3.25% above the April 2012 average five year U.S. Treasury Bill rate (5.31% as of June 30, 2013), adjusted in May 2016 and maturing April 2021; collateralized by a security interest in substantially all Fellowship House real estate and provides cross-defaults with the listed bank mortgages and notes payable.		139,008
Line of Credit bank- expriring January 20, 2014 with a maximum borrowing of $500,000 and bearing interest at 1% above the Wall Street Journal prime rate (4.25% as of June 30, 2013).		100,000
	$	2,138,960

Substantially, all the assets of the Organization are collateralized with the notes payable listed above.

NOTE 5 – NOTES AND MORTGAGES PAYABLE (Continued)
The notes and mortgages payable are due as follows:

Year ending June 30:		
2014	$	376,255
2015		89,047
2016		1,587,945
2017		17,765
2018		17,765
Thereafter		50,183
	$	2,138,960

Interest expense on notes and mortgages payable totaled $107,115 for the year ended June 30, 2013.

NOTE 6 – PROFIT SHARING PLAN
Qualified full-time employees of Fellowship House participate in a defined contribution profit-sharing plan. The plan for the benefit of eligible employees upon their retirement, death or disability, provides for an annual contribution to a trust fund at the discretion of Fellowship House based on a percent of eligible employee adjusted compensation (as defined). In this connection, Fellowship House has made contributions totaling $22,405 for the year ended June 30, 2013.

NOTE 7 – LEASES
Fellowship House is obligated under various long-term leases for equipment and buildings which expire at various dates through fiscal year 2017. Minimum annual future rentals, exclusive of escalation and maintenance charges for such leases at June 30, 2013 approximate the following:

Year ending June 30:	Equipment	Building	Total
2014	372,406	160,971	533,377
2015	91,527	40,611	132,138
2016	91,527	7,284	98,811
2017	22,881	-	22,881
	$ 578,341	$ 208,866	$ 787,207

In addition, Fellowship House leases residential and storage facilities and equipment on a short term or month-to-month basis. Rent expense for the year ended June 30, 2013 aggregated approximately $855,979.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS
Temporarily restricted net assets are assets restricted by the donor and consist substantially of amounts in property and equipment and cash.

NOTE 9 – MAJOR GRANTOR

Fellowship House received a substantial portion of its support from the State of Florida Department of Children and Families under the following grant Contract No's. ME 225-3-12 & ME 225-3-74 administered by South Florida Behavioral Health Network, Inc. These contracts must be renegotiated annually. Although a maximum amount is established during the negotiation process, support is generally recognized on a reimbursement basis to the extent of eligible expenses incurred and units of service provided. Receivables and revenues from this grantor accounted for approximately 45% and 80%, respectively, of total receivables and total grant revenue as of June 30, 2013.

NOTE 10 – LITIGATION

Fellowship House is a defendant in a lawsuit wherein the plaintiff, a terminated former employee, claims a violation of her civil rights and is asking the recovery of back pay, front pay, compensatory and punitive damages and attorney's fees. Fellowship House denies all allegations in the lawsuit. Fellowship House's legal counsel has indicated that the matter is still in the discovery stages and accordingly, is unable to assess Fellowship House's potential liability, if any, in the case.

NOTE 11- CHANGE IN REPORTING ENTITY AND CORRECTION OF AN ERROR

A change in reporting entity is accounted for by a retrospective application to the financial statement for prior periods and, accordingly, the effect of the change has been reflected in Net Assets – Beginning of Year within the Combined Statement of Activities. Net Assets – Beginning of Year have been increased by $493,294 due to the inclusion of the Foundation and Fellowship Employment within the reporting entity. The inclusion of the Foundation and Fellowship Employment resulted in an increase in net assets of $60,560 for the year ended June 30, 2013.

In addition, beginning temporarily restricted net assets of the Organization as of June 30, 2013 have been restated to include the effects of a grant award that was recorded as unearned revenue in previous years. Funds were awarded in the form of a $300,000 forgivable mortgage, as long as the facility was utilized over a twenty year period in accordance with grant requirements. As such, the unearned grant revenue balance of $101,250 as of June 30, 2012 is currently reflected in beginning temporarily restricted net assets as of June 30, 2013.

	Unrestricted	Temporarily Restricted	Total
Net Assets, as previously reported Fellowship House and Silver Bluff As of June 30, 2012	$ 2,326,427	$ 594,244	$ 2,920,671
Correction of an error	-	101,250	101,250
Organization beginning net assets as restated	2,326,427	695,494	3,021,921
Change in reporting entity:			
Foundation	468,737	-	468,737
Fellowship Employment	24,557	-	24,557
Organization net assets including restatement as well as change in reporting entity, as of June 30, 2012	$ 2,819,721	$ 695,494	$ 3,515,215

NOTE 12 – DUE TO MEMBERS

Fellowship House acts as a representative payee for social security benefits on behalf of members. The benefits are managed by Fellowship House to ensure that the member's current and foreseeable needs are being provided. The benefits in excess in current needs requirements are held in an account with a financial institution. As of June 30, 2013, funds for members consisted of $69,165.

NOTE 13 – SUBSEQUENT EVENTS

Fellowship House has evaluated subsequent events through November 5, 2013 the date which the combined financial statements were available to be issued. Subsequent to year-end, the Organization purchased two properties for the amounts of $175,000 and $250,000 for the purpose of housing members. Properties were purchased outright and therefore, no additional debt was acquired as a result of these transactions.

NOTE 14 - RELATED PARTY TRANSACTIONS

Related parties include:

- Al Klomparens – Board of Director, Chairman
- Nancy Green – Board of Director, Treasurer

Related party transactions include:

- Al Klomparens, is Senior Vice President of Kahn-Carlin & Co, Inc. This company was paid by the Organization for services rendered in connection with brokerage services relating to insurance policies and coverage purchased during the year.

- Nancy Green is Senior Vice President of Wells Fargo Securities. As of June 30, 2013 the Organization maintained money market accounts with the financial institution.

The Organization has adopted a conflict of interest policy whereby board members are disqualified from participating in the final decisions regarding any action affecting their related company or organization.

SUPPLEMENTAL INFORMATION

PSYCHO-SOCIAL REHABILITATION CENTER, INC.
D/B/A FELLOWSHIP HOUSE, AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

	Unrestricted				Temporarily Restricted				
	Fellowship House, Inc	Fellowship Foundation, Inc.	Fellowship House Employment Services, Inc	Total Unrestricted	Fellowship House	Fellowship Foundation, Inc.	Total Temporarily Restricted	Eliminations	Total
ASSETS									
Cash and cash equivalents	$ 637,851	$ 514,842	$ 21,810	$ 1,174,503	$ -	$ -	$ -	$ -	$ 1,174,503
Cash - Restricted					-	100,000	100,000	-	100,000
Cash - Member trust funds	69,165	-	-	69,165	-	-	-	-	69,165
Receivables:									
Supporting agenices	690,143	-	-	690,143	-	-	-	-	690,143
Medicaid and other third party providers	470,434	-	-	470,434	-	-	-	-	470,434
Members	1,550	-	-	1,550	-	-	-	-	1,550
Affiliate	84,108	-	-	84,108	-	-	-	(84,108)	-
Other	2,503	-	2,225	4,728	-	-	-	-	4,728
Prepaid expenses	134,889	-	-	134,889	-	-	-	-	134,889
Property and equipment - net	3,445,233	-	-	3,445,233	658,724	-	658,724	-	4,103,957
Other assets	103,127	-	-	103,127	-	-	-	-	103,127
TOTAL ASSETS	$ 5,639,003	$ 514,842	$ 24,035	$ 6,177,880	$ 658,724	$ 100,000	$ 758,724	$ (84,108)	$ 6,852,496
LIABILITIES AND NET ASSETS									
LIABILITIES:									
Accounts payable and accrued expenses	$ 582,514	$ -	915	$ 583,429	$ -	$ -	-	-	$ 583,429
Notes and mortgages payable	2,138,960	-	-	2,138,960	-	-	-	-	2,138,960
Member trust funds payable	69,165	-	-	69,165	-	-	-	-	69,165
Due to Affiliate	-	84,108	-	84,108	-	-	-	(84,108)	-
TOTAL LIABILITIES	2,790,639	84,108	915	2,875,662	-	-	-	(84,108)	$ 2,791,554
COMMITMENTS AND CONTINGENICIES									
NET ASSETS	2,848,364	430,734	23,120	3,302,218	658,724	100,000	758,724	-	4,060,942
TOTAL LIABILITIES AND NET ASSETS	$ 5,639,003	$ 514,842	$ 24,035	$ 6,177,880	$ 658,724	$ 100,000	$ 758,724	$ (84,108)	$ 6,852,496

PSYCHO-SOCIAL REHABILITATION CENTER, INC.
D/B/A FELLOWSHIP HOUSE, AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted				Temporarily Restricted				
	Fellowship House	Fellowship Foundation, Inc.	Fellowship House Employment Services	Total Unrestricted	Fellowship House	Fellowship Foundation, Inc.	Total Temporarily Restricted	Eliminations	Total
REVENUE AND SUPPORT									
Provider fees - Medicaid and other third parties	$ 5,710,481	$ -	$ -	$ 5,710,481	$ -	$ -	$ -	$ -	$ 5,710,481
Grants:									
U.S. Department of Housing and Urban Development	-	-	-	-	293,736	-	293,736	-	293,736
U.S. Department of Transportation	-	-	-	-	123,193	-	123,193	-	123,193
State of Florida - South Florida Behavioral Health Network, Inc.	-	-	-	-	2,860,991	-	2,860,991	-	2,860,991
State of Florida - Department of Elder Affairs	-	-	-	-	248,387	-	248,387	-	248,387
Metropolitan Dade County	-	-	-	-	24,453	-	24,453	-	24,453
Other	-	-	-	-	12,718	-	12,718	-	12,718
Residential and other program fees	533,539	-	-	533,539	-	-	-	-	533,539
Contributions Corporate and Individuals	-	41,838	-	41,838	-	100,000	100,000	-	141,838
Local Contributions		-	24,966	24,966	-	-	-	-	24,966
Miscellaneous	50,250	-	-	50,250	-	-	-	-	50,250
Net assets released from restrictions:									
Satisfaction of purpose restrictions	3,600,248	-	-	3,600,248	(3,600,248)	-	(3,600,248)	-	-
TOTAL REVENUE AND SUPPORT	9,894,518	41,838	24,966	9,961,322	(36,770)	100,000	63,230	-	10,024,552
OPERATING EXPENSES									
Program services	6,472,632	79,841	26,403	6,578,876	-	-	-	-	6,578,876
Supporting services	1,711,933	-	-	1,711,933	-	-	-	-	1,711,933
Management and general	1,188,016	-	-	1,188,016	-	-	-	-	1,188,016
TOTAL OPERATING EXPENSES	9,372,581	79,841	26,403	9,478,825	-	-	-	-	9,478,825
CHANGE IN NET ASSETS	521,937	(38,003)	(1,437)	482,497	(36,770)	100,000	63,230	-	545,727
NET ASSETS - beginning of year, as restated	2,326,427	468,737	24,557	2,819,721	695,494	-	695,494	-	3,515,215
NET ASSETS - end of year	$ 2,848,364	$ 430,734	$ 23,120	$ 3,302,218	$ 658,724	$ 100,000	$ 758,724	$ -	$ 4,060,942

PSYCHO-SOCIAL REHABILITATION CENTER, INC.
D/B/A FELLOWSHIP HOUSE, AND AFFILIATES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

PART I: ACTUAL FUNDING SOURCES & REVENUES

	STATE DESIGNATED SAMH COST CENTERS															
	STATE SAMH-FUNDED COST CENTERS															
	Combined Programs															
FUNDING SOURCES & REVENUES	Residential Level II/Room & Board w/sup Level II	Residential Level IV	Case Management	Assessment	Outpatient	Outreach	Day/Night	Supported Employment	Incidental Expenses	Clubhouse	Fact	Total for Combined Programs	Total for State SAMH-Funded Cost Centers	Total for Non-State-Funded SAMH Cost Centers	Total for All State Designated SAMH Cost Centers	Non-SAMH Cost Center	Total Funding
1A. TOTAL STATE SAMH FUNDING																	
(1) From the District Funding This Contract	742,425	128,177	149,323	-	1,983	72,967	68,526	-	3,203	161,706	1,078,506	2,406,816	-	-	-	-	2,406,816
(2) From Other Districts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1B. OTHER GOVERNMENT FUNDING																	
(1) Other State Agency Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	371,580	371,580
(2) Medicaid	14,161	33,043	1,550,662	115,778	199,789	-	3,567,225	-	-	229,823	-	5,710,481	-	-	-	-	5,710,481
(3) Local Government	143,313	-	-	-	26,250	-	-	24,453	-	-	-	194,016	-	-	-	-	194,016
(4) Federal Grants and Contracts	75,876	293,736	67,403	2,999	-	83,938	52,446	-	-	-	171,515	747,913	-	-	-	-	747,913
(5) In-kind From Local Govt Only	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOT. OTHER GOVT FUNDING	233,350	326,779	1,618,065	118,777	226,039	83,938	3,619,671	24,453	-	229,823	171,515	6,652,410	-	-	-	371,580	7,023,990
1C. ALL OTHER REVENUES																	
(1) 1st and 2nd Part Payments	69,224	293,564	-	-	-	-	18,298	-	-	-	-	381,086	-	-	-	-	381,086
(2) 3rd Party Payments (Except Medicare)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Medicare	-	-	-	-	14,498	-	-	-	-	-	-	14,498	-	-	-	-	14,498
(4) Contributions and Donations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,358	31,358
(6) In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOT. ALL OTHER REVENUES	69,224	293,564	-	-	14,498	-	18,298	-	-	-	-	395,584	-	-	-	31,358	426,942
TOTAL FUNDING	1,044,999	748,520	1,767,388	118,777	242,520	156,905	3,706,495	24,453	3,203	391,529	1,250,021	9,454,810	-	-	-	402,938	9,857,748

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

PSYCHO-SOCIAL REHABILITATION CENTER, INC.
D/B/A FELLOWSHIP HOUSE, AND AFFILIATES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

PART II: ACTUAL EXPENSES

Expense Categories	Residential Level II/Room & Board w/sup Level II	Residential Level IV	Case Management	Assessment	Outpatient	Outreach	Day/Night	Supported Employment	Incidental Expenses
IIA. Personnel Expenses									
Salaries	$ 318,339	$ 240,942	$ 1,058,100	$ 190,546	$ 262,979	$ 68,762	$ 702,505	$ 21,391	$ -
Fringe benefits and fees	49,885	55,619	214,951	32,790	29,553	10,135	138,592	3,770	-
Total Personnel Expenses	368,224	296,561	1,273,051	223,336	292,532	78,897	841,097	25,161	-
IIB. Other Expenses									
Building occupancy	154,832	336,275	183,919	-	6,117	-	287,527	12,057	-
Professional services	880	-	228	-	29,566	-	19,314	-	-
Travel	-	6,145	18,974	3,209	255	1,416	788	357	-
Equipment	7,025	1,195	11,790	-	702	-	12,362	782	-
Food services	33,238	2,087	12	-	-	-	226,575	-	-
Medical and Pharmacy	-	-	-	-	-	-	-	-	-
Subcontracted Services	-	-	-	-	-	-	-	-	-
Insurance	56,820	34,723	56,820	6,313	9,470	-	28,410	6,313	-
Interest	-	-	12,047	-	1,341	-	69,828	-	-
Operating supplies and expenses	27,653	74,373	24,469	743	1,101	635	43,474	3,668	-
Other	-	-	-	-	-	-	-	-	-
Donated items	-	-	-	-	-	-	-	-	
Total Other Expenses	280,448	454,798	308,259	10,265	48,552	2,051	688,278	23,177	-
IIC. Distributed Indirect Costs									
Other support costs	171,566	198,726	418,238	61,785	90,211	21,410	404,501	12,785	-
Administration	119,060	137,908	290,241	42,876	62,603	14,858	280,708	8,873	-
Total Distributed Indirect Costs	290,626	336,634	708,479	104,661	152,814	36,268	685,209	21,658	-
Total Actual Operating Expenses	939,298	1,087,993	2,289,789	338,262	493,898	117,216	2,214,584	69,996	-
IID. Unallowable Costs									
Donated services	-	-	-	-	-	-	-	-	-
State excluded costs	-	-	-	-	-	-	-	-	-
Total Unallowable Costs	-	-	-	-	-	-	-	-	-
Total Allowable Operating Expenses	$ 939,298	$ 1,087,993	$ 2,289,789	$ 338,262	$ 493,898	$ 117,216	$ 2,214,584	$ 69,996	$ -
IIE. Capital Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Expense Categories	Clubhouse	Fact	Total for State SAMH Funded Cost Centers	Total for Non-State Funded SAMH Cost Centers	Total for All-State Designated SAMH Cost Centers	Non-SAMH Cost Centers	Other Support Costs	Administration	Total Expenses
IIA. Personnel Expenses									
Salaries	$ 88,716	$ 654,090	$ 3,606,370	$ -	$ 3,606,370	$ -	$ 785,257	$ 712,610	$ 5,104,237
Fringe benefits and fees	12,940	97,609	645,844	-	645,844	-	167,044	111,091	923,979
Total Personnel Expenses	101,656	751,699	4,252,214	-	4,252,214	-	952,301	823,701	6,028,216
IIB. Other Expenses									
Building occupancy	19,082	120,258	1,120,067	-	1,120,067	-	250,594	63,180	1,433,841
Professional services	-	-	49,988	-	49,988	-	10,623	62,200	122,811
Travel	78	12,919	44,141	-	44,141	-	14,892	7,751	66,784
Equipment	2,502	28,884	65,242	-	65,242	-	159,422	34,393	259,057
Food services	10,084	2,302	274,298	-	274,298	-	2,259	1,866	278,423
Medical and Pharmacy	-	-	-	-	-	-	-	-	-
Subcontracted Services	-	-	-	-	-	-	-	-	-
Insurance	15,783	15,783	230,435	-	230,435	-	44,193	41,037	315,665
Interest	-	20,602	103,818	-	103,818	-	468	2,860	107,146
Operating supplies and expenses	7,104	149,209	332,429	-	332,429	-	277,181	151,028	760,638
Other	-	-	-	-	-	-	-	-	-
Donated items	-	-	-		-	-	-	-	-
Total Other Expenses	54,633	349,957	2,220,418	-	2,220,418	-	759,632	364,315	3,344,365
IIC. Distributed Indirect Costs									
Other support costs	41,337	291,374	1,711,933	-	1,711,933	-	(1,711,933)	-	-
Administration	28,686	202,203	1,188,016	-	1,188,016	-	-	(1,188,016)	-
Total Distributed Indirect Costs	70,023	493,577	2,899,949	-	2,899,949	-	(1,711,933)	(1,188,016)	-
Total Actual Operating Expenses	226,312	1,595,233	9,372,581	-	9,372,581	-	-	-	9,372,581
IID. Unallowable Costs									
Donated services	-	-	-	-	-	-	-	-	-
State excluded costs	-	-	-	-	-	-	-	-	-
Total Unallowable Costs	-	-	-	-	-	-	-	-	-
Total Allowable Operating Expenses	$ 226,312	$ 1,595,233	$ 9,372,581	$ -	$ 9,372,581	$ -	$ -	$ -	$ 9,372,581
IIE. Capital Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

PSYCHO-SOCIAL REHABILITATION CENTER, INC.
D/B/A FELLOWSHIP HOUSE, AND AFFILIATES
SCHEDULE OF STATE EARNINGS
FOR THE YEAR ENDED JUNE 30, 2013

1.	Total Expenditures	$ 9,372,581
2.	Less other State and Federal Funds	(7,023,990)
3.	Less Non-Match ADM Funds	(1,236,352)
4.	Less Unallowable Costs	-
5.	Net Allowable Expenditures (Sum of lines 1,2,3, and 4)	1,112,239
6.	Maximum Available Earnings (Line 5 times 75%)	834,179
7.	Amount of State Funds Required Match	$ 134,849
8.	Amount Due to Department (Subtract line 7 from line 6; if negative, the amount of the difference is due the department up to the amount of line 8)	NONE

See Independent Auditors' Report
on Supplemental Information.

PSYCHO-SOCIAL REHABILITATION CENTER, INC.
D/B/A FELLOWSHIP HOUSE, AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2013

Grantor Pass-through Grantor/ Program Title	CFDA/CSFA Number	Grant / Contract Number	State	Federal
Department of Health and Human Services				
Pass-through Florida Department of Children and Families				
Temporary Assistance for Needy Families (TANF)	93.558	ME 225-3-12	$ -	$ 193,383
Block Grant for Prevention and Treatment of Substance Abuse	93.959	ME 225-3-74	-	171,515
Block Grant for Prevention and Treatment of Substance Abuse	93.959	ME 225-3-12	-	75,876
Block Grant for Community and Mental Health Services	93.958	ME 225-3-12	-	13,403
Department of Agriculture				
Pass-through Florida Department of Elder Affairs				
Adult Care Food Program	10.558	Y2078	-	60,987
Adult Care Food Program	10.558	Y3078	-	187,400
Department of Housing and Urban Development				
Pass-through Miami Dade County				
Supportive Housing Program	14.235	FL0194B4D001104		113,522
Supportive Housing Program	14.235	FL0194L4D001205	-	36,478
Supportive Housing Program	14.235	FL0178B4D0001104	-	83,079
Supportive Housing Program	14.235	FL0178L4D001205	-	25,293
Supportive Housing Program	14.235	FL0179B4D0001104	-	27,573
Supportive Housing Program	14.235	FL0179L4D001205	-	7,791
Department of Transportation	20.513	N/A	-	123,193
Total Federal Funds and State Pass-throughs			$ -	$ 1,119,493
Florida Department of Children and Families				
Community Forensic Beds and Competency Retoration Training	60.114	ME 225-3-12	$ 395,601	$ -
Adult Community Mental Health Florida Assertive Community Treatment Teams	60.042	ME 225-3-74	250,027	-
Acquisition and Renovation Building Program *	Not Provided	KFC03	86,250	-
Total State Funds			$ 731,878	$ -
TOTAL STATE AND FEDERAL AWARDS			$ 731,878	$ 1,119,493

* Expenditures related to this loan were made in prior years.

Fellowship House accounts for government grants in a manner similar to exchange transactions. Accordingly, it is the policy of Fellowship House not to recognize the funds awarded above as revenue and support until the government grantor's performance stipulations are satisfied.

See accompanying note to the schedule of expenditures of federal awards and state financial assistance.

1. General

The accompanying Schedule of Federal Awards and State Financial Assistance (the "Schedule") presents the activity of all federal and state award programs of the Organization for the year ended June 30, 2013. All federal and state awards received directly from federal and state agencies, as well as federal and state awards received from other government agencies are included in the Schedules. The information in these schedules is in accordance with U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government, and Non-Profit Organizations and Chapter 10.650, Rules of the Auditor General.

2. Basis of Accounting

The accompanying Schedule is presented on the accrual basis of accounting.

VERDEJA | DE ARMAS
CERTIFIED PUBLIC ACCOUNTANTS

PEDRO M. DE ARMAS, C.P.A.
ALEJANDRO M. TRUJILLO, C.P.A.
OCTAVIO A. VERDEJA, C.P.A.
TAB VERDEJA, C.P.A.
MANNY ALVAREZ, C.P.A.
YESLIE CASTRO, C.P.A.
JOHN-PAUL MADARIAGA, C.P.A.
MARIA C. PEREZ-ABREU, C.P.A.
RICHARD F. PUERTO, C.P.A.
OCTAVIO F. VERDEJA, C.P.A.

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*

Board of Directors of
Psychosocial Rehabilitation Center, Inc. d/b/a Fellowship House
Miami, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements Psychosocial Rehabilitation Center, Inc. d/b/a Fellowship House ("Fellowship House") and affiliates (collectively the "Organization"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A LIMITED LIABILITY PARTNERSHIP OF PROFESSIONAL ASSOCIATIONS
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Verdeja & De Armas, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
November 5, 2013

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

Board of Directors of
Psychosocial Rehabilitation Center, Inc. d/b/a Fellowship House
Miami, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the Organization's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the *Department of Financial Services'* State Projects Compliance Supplement, that could have a direct and material effect on each of the Organization's major federal programs and state projects for the year ended June 30, 2013. The Organization's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. 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 Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 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 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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Organization's compliance.

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Opinion on Each Major Federal Program and State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program or state project and to test and report on internal control over compliance in accordance with OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, 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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Verdeja & De Armas, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
November 5, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ____ yes _X_ no
- Significant deficiencies identified that are not considered to be material weaknesses? ____ yes _X_ none reported

Noncompliance material to combined financial statements noted? ____ yes _X_ no

Federal Awards

Type of auditor's report issued on compliance for major program: *Unmodified*

Internal control over major programs:

- Material weakness(es) identified? ____ yes _X_ no
- Significant deficiencies identified that are not considered to be material weaknesses? ____ yes _X_ none reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ____ yes _X_ no

Identification of major programs:

Name Federal Program or Cluster	CFDA Number	Expenditures
Temporary Assistance for Needy Families (TANF)	93.558	$ 193,383
Block Grant for Prevention and Treatment of Substance Abuse	93.959	$ 247,391
Block Grant for Community and Mental Health Services	93.958	$ 13,403
Supportive Housing Program	14.235	$ 293,736

Dollar threshold used to distinguish between type A and type B programs. $ 300,000

Auditee qualified as low-risk auditee? ____ yes _X_ no

SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

State Financial Assistance

Type of auditor's report issued on compliance for major projects:	*Unmodified*
Internal control over major projects:	
• Material weakness(es) identified?	____ yes _X_ no
• Significant deficiencies identified that are not considered to be material weaknesses?	____ yes _X_ none reported
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650 "Rules of the Auditor General?"	____ yes _X_ no

Identification of major projects:

Name of State Project or Cluster	CSFA Number	Expenditures
Conditional Release Services and Contracted Intensive Probation	60.114	$ 395,601
	60.042	$ 250,027

Dollar threshold used to distinguish between type A and type B projects.	$ 219,563
Auditee qualified as low-risk auditee?	N/A

SECTION II - FINANCIAL STATEMENT FINDINGS

The audit disclosed no matters that are reportable.

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS

The audit disclosed no matters that are reportable.

SECTION IV - FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

The audit disclosed no matters that are reportable.

SECTION V - OTHER ISSUES

1. There were no prior (fiscal year ended June 30, 2012) audit findings.

2. No Corrective Action Plan is required because there were no findings required to be reported under the Federal or Florida Single Audit Acts.