



START Treatment and Recovery Centers and Subsidiary

Consolidating Financial Statements

December 31, 2014 and 2013

With Independent Auditors' Reports

START Treatment and Recovery Centers and Subsidiary
Table of Contents
December 31, 2014 and 2013

Independent Auditors' Report	1-2
Financial Statements	
Consolidating Statements of Financial Position.....	3-4
Consolidating Statements of Activities.....	5-6
Consolidating Statements of Changes in Net Assets	7
Consolidating Statements of Cash Flows	8-9
Consolidating Statements of Functional Expenses	10-11
Notes to Consolidating Financial Statements	12-15



One Spring Street
New Brunswick, NJ 08901
732 828 1614 fax 732 828 5156
www.withum.com

Additional Offices in New Jersey, New York,
Pennsylvania, Maryland, Massachusetts,
Florida, Colorado and Grand Cayman

Independent Auditors' Report

To the Board of Trustees,
START Treatment and Recovery Centers:

Report on the Financial Statements

We have audited the accompanying consolidating financial statements of START Treatment and Recovery Centers and Subsidiary which comprise the consolidating statement of financial position as of December 31, 2014 and 2013 and the related consolidating statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidating financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating financial statements.

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 consolidating financial statements referred to above present fairly, in all material respects, the financial position of START Treatment and Recovery Centers and Subsidiary as of December 31, 2014 and 2013, and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

WithumSmith+Brown, PC

April 11, 2015

START Treatment and Recovery Centers and Subsidiary
Consolidating Statements of Financial Position
December 31, 2014

	START Treatment and Recovery Centers	Affiliated Services and Resources Corporation	Eliminations	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 6,345,617	\$ 29,063	\$ --	\$ 6,374,680
Due from funding agencies	746,402	--	--	746,402
Medicaid Title XIX receivable, net of allowance for doubtful accounts of \$-0-	2,745,433	--	--	2,745,433
Inventory	17,084	--	--	17,084
Other current assets	<u>1,424,584</u>	<u>--</u>	<u>--</u>	<u>1,424,584</u>
Total current assets	11,279,120	29,063	--	11,308,183
Property and equipment				
Construction in progress	5,050,216	--	--	5,050,216
Land	392,208	148,382	--	540,590
Building	1,811,912	420,599	--	2,232,511
Renovations and building improvements	9,634,845	--	--	9,634,845
Furniture, fixtures and equipment	6,691,033	--	--	6,691,033
Automotive equipment	<u>239,991</u>	<u>--</u>	<u>--</u>	<u>239,991</u>
	23,820,205	568,981	--	24,389,186
Less: Accumulated depreciation	<u>14,242,656</u>	<u>338,001</u>	<u>--</u>	<u>14,580,657</u>
Property and equipment, net	9,577,549	230,980	--	9,808,529
Other assets				
Due from affiliates	--	20,040	(20,040)	--
Other assets	<u>5,540</u>	<u>--</u>	<u>--</u>	<u>5,540</u>
Total other assets	<u>5,540</u>	<u>20,040</u>	<u>(20,040)</u>	<u>5,540</u>
	<u>\$ 20,862,209</u>	<u>\$ 280,083</u>	<u>\$ (20,040)</u>	<u>\$ 21,122,252</u>
Liabilities and Net Assets				
Current liabilities				
Due to funding agencies	\$ 73,399	\$ --	\$ --	\$ 73,399
Accounts payable and accrued expenses	2,617,658	--	--	2,617,658
Other current liabilities	<u>467,887</u>	<u>--</u>	<u>--</u>	<u>467,887</u>
Total current liabilities	3,158,944	--	--	3,158,944
Due to affiliates	<u>20,040</u>	<u>34,998</u>	<u>(20,040)</u>	<u>34,998</u>
Total liabilities	3,178,984	34,998	(20,040)	3,193,942
Unrestricted net assets				
Operating	8,105,676	245,085	--	8,350,761
Property and equipment	<u>9,577,549</u>	<u>--</u>	<u>--</u>	<u>9,577,549</u>
Total unrestricted net assets	<u>17,683,225</u>	<u>245,085</u>	<u>--</u>	<u>17,928,310</u>
	<u>\$ 20,862,209</u>	<u>\$ 280,083</u>	<u>\$ (20,040)</u>	<u>\$ 21,122,252</u>

The Notes to Consolidating Financial Statements are an integral part of this statement.

**START Treatment and Recovery Centers and Subsidiary
Consolidating Statements of Financial Position
December 31, 2013**

	START Treatment and Recovery Centers	Affiliated Services and Resources Corporation	Eliminations	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 7,307,917	\$ 29,094	\$ --	\$ 7,337,011
Due from funding agencies, net	139,839	--	--	139,839
Medicaid Title XIX receivable, net of allowance for doubtful accounts of \$-0-	1,863,886	--	--	1,863,886
Inventory	28,227	--	--	28,227
Other current assets	1,281,049	--	--	1,281,049
Total current assets	<u>10,620,918</u>	<u>29,094</u>	<u>--</u>	<u>10,650,012</u>
Property and equipment				
Construction in progress	3,663,455	--	--	3,663,455
Land	392,208	148,382	--	540,590
Building	1,811,912	420,599	--	2,232,511
Renovations and building improvements	10,859,276	--	--	10,859,276
Furniture, fixtures and equipment	6,422,871	--	--	6,422,871
Automotive equipment	220,643	--	--	220,643
	<u>23,370,365</u>	<u>568,981</u>	<u>--</u>	<u>23,939,346</u>
Less: Accumulated depreciation	<u>14,372,900</u>	<u>324,625</u>	<u>--</u>	<u>14,697,525</u>
Property and equipment, net	8,997,465	244,356	--	9,241,821
Other assets				
Due from affiliates	--	20,040	(20,040)	--
Other assets	5,540	--	--	5,540
Total other assets	<u>5,540</u>	<u>20,040</u>	<u>(20,040)</u>	<u>5,540</u>
	<u>\$ 19,623,923</u>	<u>\$ 293,490</u>	<u>\$ (20,040)</u>	<u>\$ 19,897,373</u>
Liabilities and Net Assets				
Current liabilities				
Due to funding agencies	\$ 2,788,330	\$ --	\$ --	\$ 2,788,330
Accounts payable and accrued expenses	2,500,580	--	--	2,500,580
Other current liabilities	446,588	--	--	446,588
Total current liabilities	<u>5,735,498</u>	<u>--</u>	<u>--</u>	<u>5,735,498</u>
Due to affiliates	<u>20,040</u>	<u>34,998</u>	<u>(20,040)</u>	<u>34,998</u>
Total liabilities	5,755,538	34,998	(20,040)	5,770,496
Unrestricted net assets				
Operating	4,870,920	258,492	--	5,129,412
Property and equipment	8,997,465	--	--	8,997,465
Total unrestricted net assets	<u>13,868,385</u>	<u>258,492</u>	<u>--</u>	<u>14,126,877</u>
	<u>\$ 19,623,923</u>	<u>\$ 293,490</u>	<u>\$ (20,040)</u>	<u>\$ 19,897,373</u>

The Notes to Consolidating Financial Statements are an integral part of this statement.

START Treatment and Recovery Centers and Subsidiary
Consolidating Statements of Activities
Year Ended December 31, 2014 (With Comparative Totals for 2013)

	START Treatment and Recovery Centers	Affiliated Services and Resources Corporation	Eliminations	Total	2013 Total
Changes in unrestricted net assets					
Revenues					
New York State Department of Health, Office of Alcoholism and Substance Abuse Services	\$ 1,907,066	\$ --	\$ --	\$ 1,907,066	\$ 2,872,284
Medicaid Title XIX	20,846,562	--	--	20,846,562	17,960,649
Patient fees	288,946	--	--	288,946	325,683
Contract/grant revenue	1,442,532	--	--	1,442,532	1,529,838
Rental revenue	78,026	--	--	78,026	50,176
Vending machine revenue	--	--	--	--	2,043
Interest and dividends	72,415	45	--	72,460	12,472
Fundraising	115,754	--	--	115,754	69,625
Other	4,469	--	--	4,469	59,418
	<u>24,755,770</u>	<u>45</u>	<u>--</u>	<u>24,755,815</u>	<u>22,882,188</u>
Expenses and losses					
Program services					
Clinic operations	15,896,147	--	--	15,896,147	15,758,274
Research activities	99,003	--	--	99,003	28,150
Other programs	2,288,191	--	--	2,288,191	1,653,392
Total program services	<u>18,283,341</u>	<u>--</u>	<u>--</u>	<u>18,283,341</u>	<u>17,439,816</u>
Supporting services					
Administration	2,489,258	--	--	2,489,258	3,065,475
Fundraising	168,331	--	--	168,331	66,414
Facility	--	13,452	--	13,452	6,318
	<u>2,657,589</u>	<u>13,452</u>	<u>--</u>	<u>2,671,041</u>	<u>3,138,207</u>
	<u>20,940,930</u>	<u>13,452</u>	<u>--</u>	<u>20,954,382</u>	<u>20,578,023</u>
Changes in unrestricted net assets	<u>\$ 3,814,840</u>	<u>\$ (13,407)</u>	<u>\$ --</u>	<u>\$ 3,801,433</u>	<u>\$ 2,304,165</u>

The Notes to Consolidating Financial Statements are an integral part of this statement.

START Treatment and Recovery Centers and Subsidiary
Consolidating Statements of Activities
Year Ended December 31, 2013

	<u>START Treatment and Recovery Centers</u>	<u>Affiliated Services and Resources Corporation</u>	<u>Eliminations</u>	<u>Total</u>
Changes in unrestricted net assets				
Revenues				
New York State Department of Health, Office of Alcoholism and Substance Abuse Services	\$ 2,872,284	\$ --	\$ --	\$ 2,872,284
Medicaid Title XIX	17,960,649	--	--	17,960,649
Patient fees	325,683	--	--	325,683
Contract/grant revenue	1,529,838	--	--	1,529,838
Rental revenue	50,176	--	--	50,176
Vending machine revenue	--	2,043	--	2,043
Interest and dividends	12,399	73	--	12,472
Fundraising	69,625	--	--	69,625
Other	<u>54,043</u>	<u>5,375</u>	<u>--</u>	<u>59,418</u>
	22,874,697	7,491	--	22,882,188
Expenses and losses				
Program services				
Clinic operations	15,758,274	--	--	15,758,274
Research activities	28,150	--	--	28,150
Other programs	<u>1,653,392</u>	<u>--</u>	<u>--</u>	<u>1,653,392</u>
Total program services	17,439,816	--	--	17,439,816
Supporting services				
Administration	3,065,475	--	--	3,065,475
Fundraising	66,414	--	--	66,414
Facility	<u>--</u>	<u>6,318</u>	<u>--</u>	<u>6,318</u>
	<u>3,131,889</u>	<u>6,318</u>	<u>--</u>	<u>3,138,207</u>
	<u>20,571,705</u>	<u>6,318</u>	<u>--</u>	<u>20,578,023</u>
Changes in unrestricted net assets	<u>\$ 2,302,992</u>	<u>\$ 1,173</u>	<u>\$ --</u>	<u>\$ 2,304,165</u>

The Notes to Consolidating Financial Statements are an integral part of this statement.

**START Treatment and Recovery Centers and Subsidiary
Consolidating Statements of Changes in Net Assets
Years Ended December 31, 2014 and 2013**

	<u>START Treatment and Recovery Centers</u>		<u>Affiliated Services and Resources Corporation Operating</u>	<u>Total</u>
	<u>Operating</u>	<u>Property and Equipment Fund</u>		
Unrestricted net assets December 31, 2012	\$ 4,009,143	\$ 7,556,250	\$ 257,319	\$ 11,822,712
Changes in unrestricted net assets	<u>861,777</u>	<u>1,441,215</u>	<u>1,173</u>	<u>2,304,165</u>
Unrestricted net assets December 31, 2013	4,870,920	8,997,465	258,492	14,126,877
Changes in unrestricted net assets	<u>3,234,756</u>	<u>580,084</u>	<u>(13,407)</u>	<u>3,801,433</u>
Unrestricted net assets December 31, 2014	<u>\$ 8,105,676</u>	<u>\$ 9,577,549</u>	<u>\$ 245,085</u>	<u>\$ 17,928,310</u>

The Notes to Consolidating Financial Statements are an integral part of these statements.

START Treatment and Recovery Centers and Subsidiary
Consolidating Statements of Cash Flows
Year Ended December 31, 2014

	START Treatment and Recovery Centers	Affiliated Services and Resources Corporation	Eliminations	Total
Cash flows from operating activities				
Changes in unrestricted net assets	\$ 3,814,840	\$ (13,407)	\$ --	\$ 3,801,433
Adjustments to reconcile changes in unrestricted net assets to net cash provided (used) by operating activities				
Depreciation	428,766	13,376	--	442,142
Bad debts	388,213	--	--	388,213
Changes in assets and liabilities				
Due from funding agencies	(606,563)	--	--	(606,563)
Medicaid Title XIX receivable	(1,269,760)	--	--	(1,269,760)
Inventory	11,143	--	--	11,143
Other current assets	(143,535)	--	--	(143,535)
Due to funding agencies	(2,714,931)	--	--	(2,714,931)
Accounts payable and accrued expenses	117,078	--	--	117,078
Other current liabilities	21,299	--	--	21,299
Net cash provided (used) by operating activities	<u>46,550</u>	<u>(31)</u>	<u>--</u>	<u>46,519</u>
Cash flows from investing activities				
Property and equipment dispositions	2,192,837	--	--	2,192,837
Property and equipment additions	<u>(3,201,687)</u>	<u>--</u>	<u>--</u>	<u>(3,201,687)</u>
Net cash used by investing activities	<u>(1,008,850)</u>	<u>--</u>	<u>--</u>	<u>(1,008,850)</u>
Net changes in cash and cash equivalents	(962,300)	(31)	--	(962,331)
Cash and cash equivalents				
Beginning of year	<u>7,307,917</u>	<u>29,094</u>	<u>--</u>	<u>7,337,011</u>
End of year	<u>\$ 6,345,617</u>	<u>\$ 29,063</u>	<u>\$ --</u>	<u>\$ 6,374,680</u>

The Notes to Consolidating Financial Statements are an integral part of this statement.

**START Treatment and Recovery Centers and Subsidiary
Consolidating Statements of Cash Flows
Year Ended December 31, 2013**

	START Treatment and Recovery Centers	Affiliated Services and Resources Corporation	Eliminations	Total
Cash flows from operating activities				
Changes in unrestricted net assets	\$ 2,302,992	\$ 1,173	\$ --	\$ 2,304,165
Adjustments to reconcile changes in unrestricted net assets to net cash (used) provided by operating activities				
Depreciation	537,384	6,198	--	543,582
Changes in assets and liabilities				
Due from funding agencies	361,251	--	--	361,251
Medicaid Title XIX receivable	(51,339)	--	--	(51,339)
Inventory	(28,227)	--	--	(28,227)
Other current assets	(1,242,052)	--	--	(1,242,052)
Due to funding agencies	(800,169)	--	--	(800,169)
Accounts payable and accrued expenses	(45,452)	--	--	(45,452)
Other current liabilities	359,998	(5,200)	--	354,798
Due to affiliates	174,951	(175,000)	--	(49)
Net cash (used) provided by operating activities	1,569,337	(172,829)	--	1,396,508
Cash flows from investing activities				
Property and equipment additions	(1,978,599)	--	--	(1,978,599)
Net cash used by investing activities	(1,978,599)	--	--	(1,978,599)
Net changes in cash and cash equivalents	(409,262)	(172,829)	--	(582,091)
Cash and cash equivalents				
Beginning of year	7,717,179	201,923	--	7,919,102
End of year	\$ 7,307,917	\$ 29,094	\$ --	\$ 7,337,011

The Notes to Consolidating Financial Statements are an integral part of this statement.

**START Treatment and Recovery Centers and Subsidiary
Consolidating Statements of Functional Expenses
Year Ended December 31, 2014**

	START Treatment and Recovery Centers					Affiliated Services and Resources Corporation	Total
	Clinic Operations	Research Activities	Other Programs	Administration	Fundraising	Facility	
Personnel costs	\$ 11,560,326	\$ 6,611	\$ 1,230,692	\$ 1,657,948	\$ 99,978	\$ --	\$ 14,555,555
Patient costs	341,176	84,712	2,823	5,946	--	--	434,657
Medical supplies and prescription drugs	726,597	--	--	--	--	--	726,597
Consumable supplies	123,906	--	8,547	48,859	5,644	--	186,956
Rent	125,378	--	43,750	--	--	--	169,128
Utilities	340,076	--	--	140,129	--	--	480,205
Telephone services	309,593	--	10,250	151,823	--	--	471,666
Outside security services	92,077	--	--	3,833	--	--	95,910
Repairs and maintenance	412,327	--	--	117,911	3,856	--	534,094
Equipment rental	75,186	--	--	43,638	109	--	118,933
Janitorial and maintenance supplies	58,916	--	--	8,625	--	--	67,541
Legal and accounting	45,240	--	5,000	190,954	--	--	241,194
Consulting	567,608	--	--	62,410	36,056	--	666,074
Data processing	--	--	985	20,346	--	--	21,331
Conference and meetings	53,911	7,670	8,048	46,627	16,231	--	132,487
Staff travel	713	--	1,896	1,033	18	--	3,660
Staff recruitment and development	--	--	1,000	38,828	--	--	39,828
Insurance	161,741	--	--	86,179	--	--	247,920
Indirect costs	48,521	--	240,048	(288,569)	--	--	--
Depreciation	371,550	--	427	52,065	4,724	13,376	442,142
Bad debt expense	388,213	--	--	--	--	--	388,213
Impairment loss	--	--	726,067	--	--	--	726,067
Other	93,092	10	8,658	100,673	1,715	76	204,224
	<u>\$ 15,896,147</u>	<u>\$ 99,003</u>	<u>\$ 2,288,191</u>	<u>\$ 2,489,258</u>	<u>\$ 168,331</u>	<u>\$ 13,452</u>	<u>\$ 20,954,382</u>

The Notes to Consolidating Financial Statements are an integral part of this statement.

**START Treatment and Recovery Centers and Subsidiary
Consolidating Statements of Functional Expenses
Year Ended December 31, 2013**

	START Treatment and Recovery Centers					Affiliated Services and Resource Corporation	Total
	Clinic Operations	Research Activities	Other Programs	Administration	Fundraising	Facility	
Personnel costs	\$ 12,178,561	\$ 17,469	\$ 1,273,157	\$ 2,072,634	\$ --	\$ --	\$ 15,541,821
Patient costs	365,615	5,943	2,096	7,746	7,908	--	389,308
Medical supplies and prescription drugs	727,848	--	--	--	--	--	727,848
Consumable supplies	102,031	--	3,143	34,928	3,455	--	143,557
Rent	152,937	--	18,750	--	--	--	171,687
Utilities	457,942	--	--	188,411	--	--	646,353
Telephone services	255,440	--	1,554	99,181	399	--	356,574
Outside security services	73,406	--	--	7,958	--	--	81,364
Repairs and maintenance	307,013	--	--	69,766	--	--	376,779
Equipment rental	73,934	--	--	84,796	3,690	--	162,420
Janitorial and maintenance supplies	207,187	--	--	37,889	--	--	245,076
Legal and accounting	9,990	--	9,500	110,048	--	--	129,538
Consulting	166,933	--	2,700	271,525	39,248	--	480,406
Data processing	--	--	985	22,864	--	--	23,849
Conference and meetings	40,506	4,148	6,130	46,806	9,196	--	106,786
Staff travel	1,155	--	14,001	9,957	21	--	25,134
Staff recruitment and development	--	--	1,000	44,726	--	--	45,726
Insurance	149,058	--	4,000	87,021	--	--	240,079
Indirect costs	45,337	--	225,163	(270,500)	--	--	--
Depreciation	371,310	590	89,226	74,011	2,247	6,198	543,582
Other	72,071	--	1,987	65,708	250	120	140,136
	<u>\$ 15,758,274</u>	<u>\$ 28,150</u>	<u>\$ 1,653,392</u>	<u>\$ 3,065,475</u>	<u>\$ 66,414</u>	<u>\$ 6,318</u>	<u>\$ 20,578,023</u>

The Notes to Consolidating Financial Statements are an integral part of this statement.

START Treatment and Recovery Centers and Subsidiary

Notes to Consolidating Financial Statements

December 31, 2014 and 2013

1. Organization and Purpose

START Treatment and Recovery Centers and Subsidiary (Formerly Addiction Research and Treatment Corporation and Subsidiary) ("The Corporation") is a private, nonprofit corporation established in 1969. START Treatment and Recovery Centers and Subsidiary primarily offers substance abuse treatment and rehabilitation services in the boroughs of Brooklyn and Manhattan of New York City. In addition, START Treatment and Recovery Centers and Subsidiary performs research in several areas related to substance abuse.

Affiliated Services and Resources Corporation ("ASRC") is a private, nonprofit corporation and wholly owned Subsidiary of START Treatment and Recovery Centers and Subsidiary (Formerly Addiction Research and Treatment Corporation and Subsidiary) which owns and manages facilities rented to nonprofit corporations.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidating financial statements include START Treatment and Recovery Centers and Subsidiary and Affiliated Services and Resources Corporation (the "Corporation") with all significant intercompany transactions eliminated.

Financial reporting by nonprofit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The Corporation had accounting transactions only in the unrestricted net asset category. This category represents net assets that are not subject to donor imposed restrictions.

Cash and Cash Equivalents

For purposes of the consolidating statements of cash flows, the Corporation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided over the estimated useful lives of the assets by the straight-line method.

The estimated useful lives of assets by major asset category are as follows:

Description	Estimated Life (Years)
Building	25
Renovations and leasehold improvements	10
Furniture, fixtures and equipment	5-10
Automotive equipment	5

When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and from the applicable net asset category. Maintenance, repairs and minor renewals are charged to operations as incurred. Depreciation expense amounted to \$442,142 and \$543,582 for the years ended December 31, 2014 and 2013, respectively.

Revenue Recognition

The Corporation recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as unrestricted or restricted support, according to donor stipulations that limit the use of these assets due to time or purpose restrictions. For the years ended December 31, 2014 and 2013, all transactions were in the unrestricted category.

START Treatment and Recovery Centers and Subsidiary
Notes to Consolidating Financial Statements
December 31, 2014 and 2013

The Corporation reports gifts 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidating statements of activities as net assets released from restrictions.

The Corporation is primarily funded through billings to the State of New York - Department of Health for patient services provided under Title XIX of the Social Security Act of 1985 (Medicaid) and by the New York State Department of Health - Office of Alcoholism and Substance Abuse Service ("OASAS"). In addition, the Corporation receives a significant amount of funding under grants and contracts from Federal, State and City agencies to both expand services to its clients and to perform research activities.

Revenue from billings to Medicaid is recorded at the time service is provided, net of an allowance for uncollectible amounts. Program revenue under the Corporation's OASAS contracts and its Federal and State contracts/grants is recognized in an amount sufficient to absorb allowable expenditures including capital items and excluding depreciation, net of all applicable third party reimbursements, up to the maximum allowable amount under the terms of the contracts/grants. A receivable from the funding agency is recognized to the extent expenses have been incurred but not reimbursed. A liability is recorded when contract advances exceed expenses.

Impairment

On a periodic basis, management assesses whether there are any indicators that the value of the property may be impaired. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted) to be generated by the property are less than the carrying value of the property. For the years ended December 31, 2014 and 2013, impairment loss of \$726,067 and \$-0- was recorded, respectively.

Functional Allocation of Expenses

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

Reclassifications

Certain items at December 31, 2013 have been reclassified to conform to the presentation at December 31, 2014. There was no change in the reported amounts of the change in net assets as a result of these reclassifications.

3. Income Taxes

The Corporation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under applicable state provisions.

The Corporation had no unrecognized tax benefits at December 31, 2014 and 2013. In addition the Corporation has no income tax related penalties or interest for the periods presented in these consolidating financial statements. The Corporation has no open tax years prior to 2011.

START Treatment and Recovery Centers and Subsidiary
Notes to Consolidating Financial Statements
December 31, 2014 and 2013

4. Due From/To Funding Agencies

Amounts due from funding agencies are as follows:

	2014	2013
NY State Department of Health	\$ --	\$ 93,250
Brooklyn Borough President's Office	82,329	--
New York State Department of Health –Office of Alcoholism and Substance Abuse Services	217,437	--
NYC Administration of Children's Services	435,198	--
New York State AIDS Institute	11,438	26,917
Other	--	19,672
	<u>\$ 746,402</u>	<u>\$ 139,839</u>
	2014	2013

Amounts due to funding agencies are as follows:

New York State Department of Health	\$ 2,846	\$ 14,569
New York State Department of Health –Office of Alcoholism and Substance Abuse Services	--	2,286,580
New York University School of Medicine - NIDA	35,546	28,556
Other	35,007	458,325
	<u>\$ 73,399</u>	<u>\$ 2,788,330</u>

5. Pension Plan

Substantially all of the Corporation's full time employees are covered under a noncontributory, defined contribution pension plan. The pension plan is funded by annual contributions equal to 7.5 percent of eligible employees' current salaries. Pension expense for the years ended December 31, 2014 and 2013 was \$763,740 and \$828,481, respectively. It is the Corporation's policy to fund the plan currently.

6. Lease Commitments

Rent expense for clinic space under non-cancellable and cancellable month-to-month operating leases amounted to \$169,128 and \$171,687 for the years ended December 31, 2014 and 2013, respectively.

7. Concentrations and Use of Estimates

The Corporation routinely maintains cash balances at financial institutions in excess of federally insured limits. Management monitors the soundness of the institutions on a regular basis and deems the credit risk related to these cash balances to be minimal.

The preparation of consolidating financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Contingencies and Other Matters

The Corporation entered into a state aid grant lien agreement with the New York State Office of Alcoholism and Substance Abuse Services to fund renovations at two of its facilities. The maximum funding amounts are \$6,100,000 and \$7,410,000, respectively. As long as the facilities are used for program purposes, the liens will not be exercised.

START Treatment and Recovery Centers and Subsidiary
Notes to Consolidating Financial Statements
December 31, 2014 and 2013

As of December 31, 2014 and 2013, \$1,463,932 and \$750,000, respectively, had been advanced and \$4,945,838 and \$3,058,112, respectively, had been expended in project costs for the first project. In 2014, the corporation withdrew from the second project, due to uncertain economic conditions, and returned all funds to the New York State Office of Alcoholism and Substance Abuse Services.

On December 17, 2014 the Corporation executed an operating agreement and contribution agreement with Delshah-OTL-START 22 Chapel JV LLC (the JV), a New York limited liability company. Under the terms of the agreements, START is a member of the JV and has agreed to convey title and assign all rights, title and interest of the land and improvements located at 22 Chapel Street, Brooklyn, New York within 24 months of December 17, 2014, subject to certain conditions related to financing and other matters.

The contribution of the land and improvements constitutes a capital contribution by START to the JV at an agreed upon value of \$24 million dollars. Delshah and OTL will be contributing approximately \$5 million dollars in cash and will be personally responsible for guaranteeing the completion of construction and the repayment of all financing. No asset of START will be at risk with respect to this development beyond the Chapel Street property it is contributing. Ownership of the JV is determined by dividing each member's capital contributions by the aggregate capital contributions of all members. The JV will demolish the existing structure and construct a new building containing rental units and a separate 15,000 square foot condominium unit that will be solely owned by START and used for its administrative operations. The proposed development is being designed and will consist of at least 15 floors and more than 200 residential units.

9. Subsequent Events

The Corporation has evaluated subsequent events occurring after the consolidating statement of financial position date through the date of April 11, 2015. Based on this evaluation, the Corporation has determined that no subsequent events have occurred, which require disclosure in the consolidating financial statements.