



**WithumSmith+Brown**  
**A Professional Corporation**  
**Certified Public Accountants and Consultants**



**START Treatment and Recovery Centers and Subsidiary**  
**(Formerly Addiction Research and Treatment Corporation and Subsidiary)**

**Consolidating Financial Statements**

**December 31, 2013 and 2012**

**With Independent Auditors' Reports**

**START Treatment and Recovery Centers and Subsidiary**  
**(Formerly Addiction Research and Treatment Corporation and Subsidiary)**  
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**December 31, 2013 and 2012**

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## 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 (Formerly Addiction Research and Treatment Corporation and Subsidiary) which comprise the consolidating statement of financial position as of December 31, 2013 and 2012 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 (Formerly Addiction Research and Treatment Corporation and Subsidiary) as of December 31, 2013 and 2012, 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*

May 23, 2014

**START Treatment and Recovery Centers and Subsidiary  
(Formerly Addiction Research and Treatment Corporation and Subsidiary)  
Consolidating Statements of Financial Position  
December 31, 2013**

	<b>START Treatment and Recovery Centers</b>	<b>Affiliated Services and Resources Corporation</b>	<b>Eliminations</b>	<b>Total</b>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 7,307,917	\$ 29,094	\$ --	\$ 7,337,011
Due from funding agencies	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>
<b>Liabilities and Net Assets</b>				
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  
(Formerly Addiction Research and Treatment Corporation and Subsidiary)  
Consolidating Statements of Financial Position  
December 31, 2012**

	<b>START Treatment and Recovery Centers</b>	<b>Affiliated Services and Resources Corporation</b>	<b>Eliminations</b>	<b>Total</b>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 7,717,179	\$ 201,923	\$ --	\$ 7,919,102
Due from funding agencies, net	501,090	--	--	501,090
Medicaid Title XIX receivable, net of allowance for doubtful accounts of \$3,731,657	1,812,547	--	--	1,812,547
Other current assets	38,997	--	--	38,997
Total current assets	<u>10,069,813</u>	<u>201,923</u>	<u>--</u>	<u>10,271,736</u>
Property and equipment				
Construction in progress	1,853,107	--	--	1,853,107
Land	392,208	148,382	--	540,590
Building	1,811,912	505,380	--	2,317,292
Renovations and building improvements	10,859,276	--	--	10,859,276
Furniture, fixtures and equipment	6,254,616	8,099	--	6,262,715
Automotive equipment	220,643	41,107	--	261,750
	<u>21,391,762</u>	<u>702,968</u>	<u>--</u>	<u>22,094,730</u>
Less: Accumulated depreciation	<u>13,835,512</u>	<u>445,246</u>	<u>--</u>	<u>14,280,758</u>
Property and equipment, net	7,556,250	257,722	--	7,813,972
Other assets				
Due from affiliates	154,911	--	(154,911)	--
Other assets	5,540	--	--	5,540
Total other assets	<u>160,451</u>	<u>--</u>	<u>(154,911)</u>	<u>5,540</u>
	<u>\$ 17,786,514</u>	<u>\$ 459,645</u>	<u>\$ (154,911)</u>	<u>\$ 18,091,248</u>
<b>Liabilities and Net Assets</b>				
Current liabilities				
Due to funding agencies	\$ 3,588,499	\$ --	\$ --	\$ 3,588,499
Accounts payable and accrued expenses	2,546,032	--	--	2,546,032
Other current liabilities	86,590	5,200	--	91,790
Total current liabilities	<u>6,221,121</u>	<u>5,200</u>	<u>--</u>	<u>6,226,321</u>
Due to affiliates	--	197,126	(154,911)	42,215
Total liabilities	<u>6,221,121</u>	<u>202,326</u>	<u>(154,911)</u>	<u>6,268,536</u>
Unrestricted net assets				
Operating	4,009,143	257,319	--	4,266,462
Property and equipment	7,556,250	--	--	7,556,250
Total unrestricted net assets	<u>11,565,393</u>	<u>257,319</u>	<u>--</u>	<u>11,822,712</u>
	<u>\$ 17,786,514</u>	<u>\$ 459,645</u>	<u>\$ (154,911)</u>	<u>\$ 18,091,248</u>

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

**START Treatment and Recovery Centers and Subsidiary  
(Formerly Addiction Research and Treatment Corporation and Subsidiary)  
Consolidating Statements of Activities  
Year Ended December 31, 2013 (With Comparative Totals for 2012)**

	<b>START Treatment and Recovery Centers</b>	<b>Affiliated Services and Resources Corporation</b>	<b>Eliminations</b>	<b>Total</b>	<b>2012 Total</b>
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	\$ 2,418,505
Medicaid Title XIX	17,960,649	--	--	17,960,649	17,104,798
Patient fees	325,683	--	--	325,683	180,924
Contract/grant revenue	1,529,838	--	--	1,529,838	1,907,837
Rental revenue	50,176	--	--	50,176	598,050
Vending machine revenue	--	2,043	--	2,043	1,216
Interest and dividends	12,399	73	--	12,472	14,115
Food revenue	--	--	--	--	249,745
Fundraising	43,859	--	--	43,859	61,600
Other	79,809	5,375	--	85,184	417,365
	<u>22,874,697</u>	<u>7,491</u>	<u>--</u>	<u>22,882,188</u>	<u>22,954,155</u>
Expenses and losses					
Program services					
Clinic operations	15,758,274	--	--	15,758,274	15,138,496
Research activities	28,150	--	--	28,150	91,817
Other programs	1,653,392	--	--	1,653,392	2,195,633
Total program services	<u>17,439,816</u>	<u>--</u>	<u>--</u>	<u>17,439,816</u>	<u>17,425,946</u>
Supporting services					
Administration	3,065,475	--	--	3,065,475	3,587,966
Fundraising	66,414	--	--	66,414	27,216
Facility	--	6,318	--	6,318	6,677
	<u>3,131,889</u>	<u>6,318</u>	<u>--</u>	<u>3,138,207</u>	<u>3,621,859</u>
	<u>20,571,705</u>	<u>6,318</u>	<u>--</u>	<u>20,578,023</u>	<u>21,047,805</u>
Changes in unrestricted net assets	<u>\$ 2,302,992</u>	<u>\$ 1,173</u>	<u>\$ --</u>	<u>\$ 2,304,165</u>	<u>\$ 1,906,350</u>

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

**START Treatment and Recovery Centers and Subsidiary  
(Formerly Addiction Research and Treatment Corporation and Subsidiary)  
Consolidating Statements of Activities  
Year Ended December 31, 2012**

	<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	\$ 2,418,505	\$ --	\$ --	\$ 2,418,505
Medicaid Title XIX	17,104,798	--	--	17,104,798
Patient fees	180,924	--	--	180,924
Contract/grant revenue	1,907,837	--	--	1,907,837
Rental revenue	598,050	--	--	598,050
Vending machine revenue	--	1,216	--	1,216
Interest and dividends	13,963	152	--	14,115
Food revenue	249,745	--	--	249,745
Fundraising	61,600	--	--	61,600
Other	<u>417,137</u>	<u>228</u>	<u>--</u>	<u>417,365</u>
	22,952,559	1,596	--	22,954,155
Expenses and losses				
Program services				
Clinic operations	15,138,496	--	--	15,138,496
Research activities	91,817	--	--	91,817
Other programs	<u>2,195,633</u>	<u>--</u>	<u>--</u>	<u>2,195,633</u>
Total program services	17,425,946	--	--	17,425,946
Supporting services				
Administration	3,587,966	--	--	3,587,966
Fundraising	27,216	--	--	27,216
Facility	<u>--</u>	<u>6,677</u>	<u>--</u>	<u>6,677</u>
	<u>3,615,182</u>	<u>6,677</u>	<u>--</u>	<u>3,621,859</u>
	<u>21,041,128</u>	<u>6,677</u>	<u>--</u>	<u>21,047,805</u>
Changes in unrestricted net assets	<u>\$ 1,911,431</u>	<u>\$ (5,081)</u>	<u>\$ --</u>	<u>\$ 1,906,350</u>

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



**START Treatment and Recovery Centers and Subsidiary  
(Formerly Addiction Research and Treatment Corporation and Subsidiary)  
Consolidating Statements of Changes in Net Assets  
Years Ended December 31, 2013 and 2012**

	<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, 2011	\$ 3,300,407	\$ 6,353,555	\$ 262,400	\$ 9,916,362
Changes in unrestricted net assets	<u>708,736</u>	<u>1,202,695</u>	<u>(5,081)</u>	<u>1,906,350</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	<u>\$ 4,870,920</u>	<u>\$ 8,997,465</u>	<u>\$ 258,492</u>	<u>\$ 14,126,877</u>

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

**START Treatment and Recovery Centers and Subsidiary  
(Formerly Addiction Research and Treatment Corporation and Subsidiary)  
Consolidating Statements of Cash Flows  
Year Ended December 31, 2013**

	<b>START Treatment and Recovery Centers</b>	<b>Affiliated Services and Resources Corporation</b>	<b>Eliminations</b>	<b>Total</b>
<b>Cash flows from operating activities</b>				
Changes in unrestricted net assets	\$ 2,302,992	\$ 1,173	\$ --	\$ 2,304,165
Adjustments to reconcile changes in unrestricted net assets to net cash provided (used) 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 from/to affiliates	174,951	(175,000)	--	(49)
Net cash provided (used) by operating activities	<u>1,569,337</u>	<u>(172,829)</u>	<u>--</u>	<u>1,396,508</u>
<b>Cash flows from investing activities</b>				
Property and equipment additions	<u>(1,978,599)</u>	<u>--</u>	<u>--</u>	<u>(1,978,599)</u>
Net cash used by investing activities	<u>(1,978,599)</u>	<u>--</u>	<u>--</u>	<u>(1,978,599)</u>
Net changes in cash and cash equivalents	(409,262)	(172,829)	--	(582,091)
<b>Cash and cash equivalents</b>				
Beginning of year	<u>7,717,179</u>	<u>201,923</u>	<u>--</u>	<u>7,919,102</u>
End of year	<u>\$ 7,307,917</u>	<u>\$ 29,094</u>	<u>\$ --</u>	<u>\$ 7,337,011</u>

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

**START Treatment and Recovery Centers and Subsidiary  
(Formerly Addiction Research and Treatment Corporation and Subsidiary)  
Consolidating Statements of Cash Flows  
Year Ended December 31, 2012**

	<b>START Treatment and Recovery Centers</b>	<b>Affiliated Services and Resources Corporation</b>	<b>Eliminations</b>	<b>Total</b>
<b>Cash flows from operating activities</b>				
Changes in unrestricted net assets	\$ 1,911,431	\$ (5,081)	\$ --	\$ 1,906,350
Adjustments to reconcile changes in unrestricted net assets to net cash (used) provided by operating activities				
Depreciation	561,556	6,677	--	568,233
Changes in assets and liabilities				
Due from funding agencies	127,985	--	--	127,985
Medicaid Title XIX receivable	2,582,183	--	--	2,582,183
Other current assets	(20,659)	--	--	(20,659)
Due to funding agencies	3,431,708	--	--	3,431,708
Accounts payable and accrued expenses	(907,336)	--	--	(907,336)
Other current liabilities	(95,064)	(1)	--	(95,065)
Due to affiliates	404,535	12,445	--	416,980
Net cash (used) provided by operating activities	7,996,339	14,040	--	8,010,379
<b>Cash flows from investing activities</b>				
Property and equipment additions	(1,764,251)	--	--	(1,764,251)
Net cash used by investing activities	(1,764,251)	--	--	(1,764,251)
Net changes in cash and cash equivalents	6,232,088	14,040	--	6,246,128
<b>Cash and cash equivalents</b>				
Beginning of year	1,485,091	187,883	--	1,672,974
End of year	\$ 7,717,179	\$ 201,923	\$ --	\$ 7,919,102

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

**START Treatment and Recovery Centers and Subsidiary  
(Formerly Addiction Research and Treatment Corporation and Subsidiary)  
Consolidating Statements of Functional Expenses  
Year Ended December 31, 2013**

	START Treatment and Recovery Centers					Affiliated Services and Resources 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	--	--	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  
(Formerly Addiction Research and Treatment Corporation and Subsidiary)  
Consolidating Statements of Functional Expenses  
Year Ended December 31, 2012**

	START Treatment and Recovery Centers					Affiliated Services and Resource Corporation	Total
	Clinic Operations	Research Activities	Other Programs	Administration	Fundraising	Facility	
Personnel costs	\$ 11,911,305	\$ 46,907	\$ 1,570,016	\$ 2,708,834	\$ --	\$ --	\$ 16,237,062
Patient costs	322,915	37,831	1,450	--	--	--	362,196
Medical supplies and prescription drugs	727,053	--	--	1,558	--	--	728,611
Consumable supplies	71,771	--	162,447	31,918	7,104	--	273,240
Rent	164,282	--	18,000	--	--	--	182,282
Utilities	456,838	--	19,077	200,007	--	--	675,922
Telephone services	209,702	--	6,130	122,028	--	--	337,860
Outside security services	65,454	--	--	2,852	--	--	68,306
Repairs and maintenance	265,866	--	3,403	55,441	--	--	324,710
Equipment rental	79,192	--	--	64,558	--	--	143,750
Janitorial and maintenance supplies	201,377	--	10,242	102,733	--	--	314,352
Legal and accounting	--	--	9,000	175,706	--	--	184,706
Consulting	11,000	--	22,932	78,275	15,000	--	127,207
Data processing	--	--	3,145	22,082	--	--	25,227
Conference and meetings	27,694	6,150	4,104	18,299	4,959	--	61,206
Staff travel	1,063	--	24,941	32,929	28	--	58,961
Staff recruitment	--	--	49	37,745	--	--	37,794
Insurance	138,863	--	14,530	93,439	--	--	246,832
Indirect costs	93,708	--	229,600	(323,308)	--	--	--
Depreciation	365,531	897	95,135	99,993	--	6,677	568,233
Other	24,882	32	1,432	62,877	125	--	89,348
	<u>\$ 15,138,496</u>	<u>\$ 91,817</u>	<u>\$ 2,195,633</u>	<u>\$ 3,587,966</u>	<u>\$ 27,216</u>	<u>\$ 6,677</u>	<u>\$ 21,047,805</u>

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

**START Treatment and Recovery Centers and Subsidiary  
(Formerly Addiction Research and Treatment Corporation and Subsidiary)  
Notes to Consolidating Financial Statements  
December 31, 2013 and 2012**

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**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:

<b>Description</b>	<b>Estimated Life (Years)</b>
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 \$543,582 and \$568,233 for the years ended December 31, 2013 and 2012, 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, 2013 and 2012, all transactions were in the unrestricted category.

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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. No such impairment has been recorded in the years ended December 31, 2013 and 2012.

**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, 2012 have been reclassified to conform to the presentation at December 31, 2013. 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, 2013 and 2012. 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 2010.

**4. Due From/To Funding Agencies**

Amounts due from funding agencies are as follows:

	<b>2013</b>	<b>2012</b>
NY State Department of Health	\$ 93,250	\$ 404,973
New York University School of Medicine - NIDA	--	29,998
New York State AIDS Institute	26,917	26,917
Other	19,672	39,202
	<u>\$ 139,839</u>	<u>\$ 501,090</u>

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**2013**                      **2012**

Amounts due to funding agencies are as follows:

New York State Department of Health	\$ 14,569	\$ 14,569
New York State Department of Health –Office of Alcoholism and Substance Abuse Services	2,286,580	3,402,375
New York University School of Medicine - NIDA	28,556	28,556
Other	<u>458,325</u>	<u>142,999</u>
	<u>\$ 2,788,330</u>	<u>\$ 3,588,499</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, 2013 and 2012 was \$828,481 and \$933,736, respectively. It is the Corporation's policy to fund the plan currently.

**6. Related Party Transactions**

Through June 30, 2011, the Corporation retained Urban Resource Institute ("URI"), an organization affiliated through common management and similar Trustees, to provide all management services. The agreement required the Corporation to reimburse URI for estimated costs incurred in providing the management services. There was no cost reimbursement to URI for 2013 and total costs reimbursed to URI during 2011 and included in administration were \$471,707. For the period July 1, 2011 through May 6, 2012, no management services were billed or paid by agreement of the entities. Effective May 7, 2012, the entities signed an agreement calling for the Corporation to provide transitional services to URI until June 30, 2012 for a fixed fee of \$300,000.

The Corporation earned rental income from URI for facilities and equipment totaling \$50,176 and \$106,512 for the years ending December 31, 2013 and 2012, respectively. Amounts due to URI at December 31, 2013 and 2012 were \$34,998 and \$49, respectively. These amounts are unsecured, non-interest bearing cash advances.

**7. Lease Commitments**

Rent expense for clinic space under non-cancellable and cancellable month-to-month operating leases amounted to \$171,687 and \$182,282 for the years ended December 31, 2013 and 2012, respectively. The future annual payments under non-cancelable operating leases as of December 31, 2013 are as follows:

Year Ending December 31,	Amount
2014	\$ 142,878
Thereafter	<u>          --</u>
	<u>\$ 142,078</u>

**8. 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.



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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.

**9. 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.

As of December 31, 2013 and 2012, \$750,000 and \$2,000,000, respectively, had been advanced and \$3,058,112 and \$1,438,059, respectively, had been expended in project costs for the first project. As of December 31, 2013 and 2012, \$250,000 and \$2,321,500, respectively had been advanced and \$322,775 and \$292,148, respectively, had been expended in project costs for the second project.

**10. Supplemental Disclosures of Cash Flow Information**

**Non-Cash Investing and Financing Activities**

During the year ended December 31, 2012, ASRC transferred title to property and equipment to START Treatment and Recovery Centers and Subsidiary totaling \$823,837 along with accumulated depreciation of \$535,657.

**11. Subsequent Events**

The Corporation has evaluated subsequent events occurring after the consolidating statement of financial position date through the date of May 23, 2014. Based on this evaluation, the Corporation has determined that no subsequent events have occurred, which require disclosure in the consolidating financial statements.