

**TENNESSEE ASSOCIATION OF
ALCOHOL, DRUG & OTHER
ADDICTION SERVICES, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2018

***JOE OSTERFELD, CPA
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TENNESSEE ASSOCIATION OF ALCOHOL, DRUG & OTHER ADDICTION SERVICES, INC.

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc. (a nonprofit organization) as of and for the year ended June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 opinions on these 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 financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc. as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof 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 opinions on the financial statements as a whole. The accompanying expenditures of federal awards portion of the schedule of federal awards and state financial assistance, is required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The roster of board members and executive director and the state financial assistance portion of the schedule of state awards and financial assistance are presented for purposes of additional analysis as required by the State of Tennessee. Such information is the responsibility of management and was derived from and relate 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019, on our consideration of the Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness 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 Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.'s internal control over financial reporting and compliance.

Joe Osterfeld, CPA
Columbia, Tennessee
January 28, 2019

**TENNESSEE ASSOCIATION OF ALCOHOL,
DRUG & OTHER ABUSE SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

<u>ASSETS</u>	
Cash	\$ 47,927
Investments	162,475
Accounts receivable	9,925
Grantor receivable - State of Tennessee	200,010
Inventory	35,939
Total current assets	<u>456,276</u>
Equipment and Leasehold Improvements	73,378
Accumulated depreciation	<u>(73,378)</u>
Net land, building, and equipment	0
Total assets	<u><u>\$456,276</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
Accounts payable	\$2,082
Accrued expenses	16,645
Note payable - line of credit	80,000
Deferred revenue - dues paid in advance	41,246
Total current liabilities	<u>139,973</u>
Net assets, unrestricted	<u>316,303</u>
Total net assets	<u>316,303</u>
Total liabilities and net assets	<u><u>\$456,276</u></u>

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

**TENNESSEE ASSOCIATION OF ALCOHOL,
DRUG & OTHER ABUSE SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>PUBLIC SUPPORT AND REVENUE</u>			
Awards		\$982,821	\$ 982,821
Training fees	\$ 23,949		23,949
Bookstore revenues	61,747		61,747
Private grants	75,000		75,000
Conferences	21,877		21,877
Contributions	4,200		4,200
Special events	20,921		20,921
Membership dues	46,167		46,167
Rental	12,050		12,050
Other income	3,926		3,926
Investment income	7,342		7,342
Interest income	164		164
Net assets released from restrictions	982,821	(982,821)	0
Total public support and revenue	1,260,164	0	1,260,164
<u>EXPENSES</u>			
Program services	1,159,332	0	1,159,332
Support Services	84,400	0	84,400
Total expenses	1,243,732	0	1,243,732
Increase (decrease) in net assets	16,432	0	16,432
Net assets, beginning	299,871	0	299,871
Net assets, end of year	<u>\$316,303</u>	<u>\$0</u>	<u>\$316,303</u>

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

**TENNESSEE ASSOCIATION OF ALCOHOL,
DRUG & OTHER ABUSE SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Services								Support Services		
	Community Outreach	ICB	Problem Gambling Outreach & Education	Baptist Healing Trust Advocacy	Prevention STR Community Outreach	PRSC	Behavioral Health Training	Peer Recovery Specialist Training		Bookstore and Member Services	
Salaries	\$101,563	\$48,936	\$5,459	\$46,712	\$9,665	\$0	\$112,094	\$0	\$2,672	\$69,462	\$396,563
Employee benefits	16,976	5,851	1,353	10,830	2,477	0	24,864	0	234	14,084	76,669
Professional services	61,004	11,082	3,813	1,293	3,847	10,812	154,192	1,500	34,850	466	282,859
Supplies	30,385	3,920	0	1,585	46,314	975	50,597	0	6,520	0	140,296
Bookstore purchases	0	0	0	0	0	0	0	0	42,044	0	42,044
Telephone and internet	3,029	1,056	706	2,575	595	0	6,704	0	19,309	0	33,974
Postage & shipping	600	5	135	0	927	0	2,603	0	188	0	4,458
Occupancy	26,064	0	3,131	3,756	4,223	0	50,673	0	8,424	0	96,271
Equipment rent & maintenance	1,363	0	179	0	77	0	6,667	0	2,354	0	10,640
Printing & publications	601	366	0	390	2,956	0	2,625	0	3,903	0	10,841
Travel, conferences & meetings	8,966	8,391	927	2,331	5,928	1,350	51,069	0	(23)	388	79,327
Special events	0	0	0	0	0	0	0	0	23,171	0	23,171
Insurance	267	250	18	0	0	0	1,496	0	550	0	2,581
Other personnel	0	0	0	0	0	0	0	0	0	0	-
Membership dues	8,890	1,066	0	0	0	0	0	0	5,947	0	15,903
Advertising & other expenses	0	0	1,500	2,000	0	0	0	0	24,635	0	28,135
Total expenses	\$259,708	\$80,923	\$17,221	\$71,472	\$77,009	\$13,137	\$463,584	\$1,500	\$174,778	\$84,400	\$1,243,732

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

**TENNESSEE ASSOCIATION OF ALCOHOL,
DRUG & OTHER ABUSE SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (decrease) in net assets	\$16,432
Adjustments to reconcile increase in net assets to net cash provided (used) by operations:	
Unrealized (increase) in fair value of investments	(386)
(Increase) decrease in:	
Accounts receivable	(1,243)
Grant receivable - State of Tennessee	(24,980)
Inventory	(8,422)
Increase (decrease) in:	
Accounts payable	(10,948)
Accrued expenses	2,792
Deferred revenue	(5,778)
Total from operations	<u>(32,533)</u>

INVESTING ACTIVITIES:

Amount reinvested in investments	<u>(3,801)</u>
Total from investing activities	(3,801)

FINANCING ACTIVITIES:

Proceeds from Line of Credit	207,714
Payments to Line of Credit	<u>(187,714)</u>
Total from financing activities	20,000
Increase (decrease) in cash	(16,334)
Beginning cash balance - restated *	<u>64,261</u>
Ending cash balance	<u><u>\$47,927</u></u>

Supplement Information:

Interest paid in FY2018	\$ 3,428
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Note: The beginning cash balance was restated to separate out investments:

Cash as previously reported	\$ 222,549
Less: investments	<u>(158,288)</u>
Restated beginning cash balance	\$ 64,261

The accompanying notes are an integral part of the financial statements

**TENNESSEE ASSOCIATION FOR ALCOHOL,
DRUG & OTHER ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc. (TAADAS), a Tennessee not-for-profit corporation, is a statewide, consumer-oriented, association with its beginnings in 1976, whose mission is to provide a collaborative Tennessee voice for addiction, co-occurring, prevention, and recovery support services to affect positive change. TAADAS operates the following programs: community outreach clearinghouse for the state of Tennessee to distribute alcohol and drug abuse prevention and educational materials, toll free information and referral number, bookstore, training programs, community coordination project, and membership services. Supportive services include fund raising, management and general expenses not directly identifiable to any program, but indispensable to these activities and to TAADAS's existence. A board of directors governs TAADAS.

Basis of Accounting

The financial statements of Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant accounts receivable, accounts payable, and other liabilities.

Basis of Presentation

Financial statement presentation follows US generally accepted accounting principles which require TAADAS to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no temporarily or permanently restricted assets at June 30, 2018.

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by action of TAADAS and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the TAADAS. Generally, the donor of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes.

**TENNESSEE ASSOCIATION FOR ALCOHOL,
DRUG & OTHER ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Accounts Receivable

Accounts receivable are stated at their net realizable value. It is the opinion of management that all accounts receivable at fiscal year-end are collectible.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents are defined as all cash on hand and deposited in FDIC insured bank accounts with an original maturity of three months or less.

Deferred Revenue

Income from membership dues are deferred and recognized over the periods to which the membership dues relate.

Donated Assets

Marketable securities and other non-cash donations are recorded as contributions at their estimated fair market values at the date of the donation.

Donations of Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, TAADAS reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. TAADAS reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

TAADAS records donated services when they create or enhance a non-financial asset or for specialized skills provided by entities or persons possessing those skills that would be purchased if they were not donated.

**TENNESSEE ASSOCIATION FOR ALCOHOL,
DRUG & OTHER ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Expense Allocation

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

Fair Values of Financial Instruments

Financial instruments of Agency include cash, short-term trade accounts receivable, and trade accounts payable. Management estimates that the fair value of all financial instruments at fiscal year-end do not differ materially from the carrying values of the financial instruments recorded in the accompanying balance sheet.

Income Tax Status

Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc. is an organization, which is not considered a private foundation and is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made. TAADAS's Form 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2016, 2017 and 2018 are subject to examination by the IRS, generally for 3 years after they were filed. There are no tax examinations currently in process. Management has concluded that TAADAS has taken no uncertain tax positions as of June 30, 2018. Therefore, no provision for income taxes has been included in TAADAS's financial statements.

Inventory

The inventory, which primarily consists of books and gifts for sale in the bookstore, are stated at cost determined on a first-in, first-out basis.

Planned Major Maintenance Activities

Costs or fair market value for donated items and services for planned major maintenance in excess of \$10,000 are treated as additions to property and equipment and depreciated over their estimated useful lives using the straight-line method. For the year ended June 30, 2018, there were no planned major maintenance activities.

Promises to Give

Unconditional promises to give are recognized as revenue or a gain in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**TENNESSEE ASSOCIATION FOR ALCOHOL,
DRUG & OTHER ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful life of assets, presently five years. Depreciation is reflected as an expense in the Statement of Functional Expenses. All assets were fully depreciated at June 30, 2018.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Use of Estimates

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

NOTE 2 - CASH AND CREDIT RISK

All cash and certificate of deposits of Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc. are deposited in FDIC insured banks. TAADAS had no deposits exceeding the \$250,000 FDIC deposit insurance coverage.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of balances due for bookstore sales and fees.

NOTE 4 - LINE OF CREDIT

On April 11, 2017, TAADAS opened a line of credit for \$80,000, variable interest rate (currently 4.0%), matures on April 11, 2027. Interest is to be paid montly for any draws incurred. Balance due at June 30, 2018 is \$80,000.

**TENNESSEE ASSOCIATION FOR ALCOHOL,
DRUG & OTHER ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 – FAIR VALUE OF INVESTMENTS

TAADAS's investments are reported at fair value in the statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. TAADAS defers to the brokers holding its assets Charles Schwab for determining TAADAS's valuation policies. Although TAADAS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to measure fair value of certain financial instruments could result in a different fair value at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 – Inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 – Inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 – Inputs are unobservable and have the lowest priority. TAADAS uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, TAADAS measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 input were not available.

Level 1 Fair Value Measurement

The fair values of money markets, common stocks, certain corporate bonds, and U S Government securities are based on the closing price reported in the active market where the individual securities are traded, when available.

Level 2 Fair Value Measurement

The fair value of certain corporate bonds for which quoted market price are not available are valued using a market approach on yields currently available on comparable securities of issuers with similar credit ratings. Investments in certain restricted common stock are valued at the quoted market price of the issuer's unrestricted common stock less an appropriate discount. The fair value of the certificates of deposit is based on amortized cost or original cost plus accrued interest.

Level 3 Fair Value Measurement

For those assets with fair value measured using Level 3 inputs, Morgan Stanley determines the fair value measurement policies and procedures. Those policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate.

**TENNESSEE ASSOCIATION FOR ALCOHOL,
DRUG & OTHER ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

At that time, the unobservable inputs used in the fair value measurement are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

The unrealized gain in fair value of investments was \$386 at fiscal year-end which is reported in investment income on the statement of activities.

The following tables set forth, by level within the fair value hierarchy, TAADAS's investments at fair value and cost as of June 30, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Cost</u>
Equities	\$ 59,924	\$ 59,924	\$ -	\$ -	\$ 40,733
Equity Mutual Funds	38,422	38,422	-	-	52,439
Exchange traded funds	22,499	22,499	-	-	20,274
Cash & money market	3,848	3,848	-	-	3,848
Limited partnerships	37,782	37,782			41,363
Total	\$ 162,475	\$ 162,475	\$ -	\$ -	\$ 158,657

NOTE 6 - EMPLOYEE PENSION PLAN

TAADAS maintains a simple IRA retirement plan to which TAADAS matches employee contributions up to 3% of the salaries and wages of covered employees. Pension expense for the year ending June 30, 2018 was \$21,709.

NOTE 7 - FINANCIAL DEPENDENCE AND GRANTOR RECEIVABLE

TAADAS is substantially funded by federal and state grants awarded by the State of Tennessee's Department of Mental Health. All of the grantor receivable is related to State of Tennessee Department of Mental Health contracts. A significant reduction in the level of this support, if this were to occur, may have an effect in TAADAS's programs and activities. In addition, the grants prescribe allowable expenditure guidelines with which Agency must comply. The grants are received prospectively, subject to subsequent verification of the incurring of allowable expenditures or provision of qualifying services.

**TENNESSEE ASSOCIATION FOR ALCOHOL,
DRUG & OTHER ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – OPERATING LEASES

Rent expense for the year ending June 30, 2018 was \$96,272 for four office suites at 1321 Murfreesboro Road in Nashville, Tennessee. The office suites are leased from Airport Plaza LLC at an average monthly cost of \$8,023 per month. The original lease agreement was amended on March 4, 2016 and expires February 28, 2021 with no renewal options. TAADAS also rents office equipment under various term agreements, but no lease is considered a capital lease. The rent expense for the office equipment was \$10,639 which also includes maintenance. Future minimum rental payments for leases with initial lease terms of one year or more are as follows:

FY2019	\$ 99,344
FY2020	\$ 102,425
FY2021	\$ 69,659

NOTE 8 - DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through January 28, 2019, the date which the financial statements were available to be issued. No material subsequent events have occurred that need to be disclosed.

TENNESSEE ASSOCIATION OF ALCOHOL, DRUG & OTHER ABUSE SERVICES, INC.
SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2018

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Grantor Agency and Program Name</u>	<u>Balance July 1, 2017</u>	<u>Grant Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2018</u>
<u>U.S. Department of Health and Human Services:</u>						
Passed Through Tennessee Department of Mental Health & Substance Abuse Services:						
93.959	Edison 49927	Block Grants for Prevention & Treatment of Substance Abuse	(45,854)	45,854		-
93.959	Edison 50025	Block Grants for Prevention & Treatment of Substance Abuse	(1,475)	1,475		-
93.959	Edison 49643	Block Grants for Prevention & Treatment of Substance Abuse	(11,410)	11,410		-
93.959	Edison 54607	Block Grants for Prevention & Treatment of Substance Abuse	-	358,874	447,790	(88,916)
93.959	Edison 54609	Block Grants for Prevention & Treatment of Substance Abuse	-	58,222	79,762	(21,540)
93.959	Edison 54613	Block Grants for Prevention & Treatment of Substance Abuse	-	210,196	285,024	(74,828)
		Sub-total Block Grants for Prevention & Treatment of Substance Abuse	(58,739)	686,031	812,576	(185,284)
93.243	Edison 47754	Substance Abuse Treatment	(30,286)	30,286	-	-
93.243	Edison 55530	Substance Abuse Treatment	-	35,000	35,000	-
		Sub-total Substance Abuse Treatment	(30,286)	65,286	35,000	-
93.788	Edison 55355	Opioid STR (State Targeted Response)	-	80,934	83,245	(2,311)
		Sub-total Opioid STR (State Targeted Response)	-	80,934	83,245	(2,311)
Total Federal Awards			<u>\$ (89,025)</u>	<u>\$ 832,251</u>	<u>\$ 930,821</u>	<u>\$ (187,595)</u>
<u>Tennessee Department of Mental Health & Substance Abuse Services:</u>						
Edison 49650		Problem Gambling Outreach Education & Referrals Program	(431)	431	-	-
Edison 54494		Problem Gambling Outreach Education & Referrals Program	-	19,904	20,000	(96)
Edison 49927		Training Program	(85,574)	85,574	-	-
Edison 54607		Training Program	-	19,681	32,000	(12,319)
Total State Financial Assistance			<u>\$ (86,005)</u>	<u>\$ 125,590</u>	<u>\$ 52,000</u>	<u>\$ (12,415)</u>
Grand Totals of Federal Awards and State Financial Assistance			<u>\$ (175,030)</u>	<u>\$ 957,841</u>	<u>\$ 982,821</u>	<u>\$ (200,010)</u>

Amounts shown in brackets represents money due from the grantor.

This schedule is prepared on the same (accrual) basis of accounting as the financial statements.

The Agency did not elect to use the 10 percent de minimis indirect cost rate.

The Agency is a sub-recipient and has an approved indirect cost allocation plan with the pass-through grantor
Tennessee Department of Mental Health and Substance Abuse Services.

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

**TENNESSEE ASSOCIATION OF ALCOHOL,
DRUG & OTHER ABUSE SERVICES, INC.
ROSTER OF BOARD MEMBERS AND EXECUTIVE DIRECTOR
JUNE 30, 2018**

Board Members

Jon Jackson - President

Barry Cooper - Past President

Norman Miller - President Elect

Janine Clayton - Secretary

Linda Leathers - Treasurer

Stuart Sigrest - East Representative

Deana Crossley - Middle Representative

Paula Hopper - West Representative

Richard Barber - Consumer Advocate

Randal Lea - Affiliate

Executive Director

Mary-Linden Salter

The accompanying notes are an integral part of the financial statements

Joe Osterfeld, CPA

Certified Public Accountant

214 West Fifth Street - Suite B - PO Box 807 - Columbia, TN 38402-0807

Telephone: 931-388-7144 - E-mail: joeosterfeldcpa@att.net

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.
Nashville, Tennessee

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 financial statements of Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.'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 Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.'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.

Joe Osterfeld, CPA
Columbia, Tennessee
January 28, 2019

Joe Osterfeld, CPA

Certified Public Accountant

214 West Fifth Street - Suite B - PO Box 807 - Columbia, TN 38402-0807

Telephone: 931-388-7144 - E-mail: joeosterfeldcpa@att.net

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.'s major federal programs for the year ended June 30, 2018. Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.'s major federal programs 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.'s major federal programs 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 occurred. An audit includes examining, on a test basis, evidence about Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.'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. However, our audit does not provide a legal determination of Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.

Opinion on Each Major Federal Program

In our opinion, Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc. 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 for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc. 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 Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.'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 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 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Joe Osterfeld, CPA
Columbia, Tennessee
January 28, 2019

Tennessee Association of Alcohol, Drug & Other Addiction Services
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified.

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ☒ no

Significant deficiencies(s) identified that are
not considered to be material weaknesses? _____ yes ☒ none reported

Noncompliance material to financial statements noted? _____ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ☒ no

Significant deficiencies(s) identified that are
not considered to be material weaknesses _____ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: unmodified opinion.

Any audit findings disclosed that are required
to be reported in accordance with section
510(a) of Circular A-133? _____ yes ☒ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program

93.959

Drug and Alcohol Block Grant

Dollar threshold used to distinguish between
type A and type B programs: \$750,000

Auditee qualified as low risk? ☒ yes _____ no

Tennessee Association of Alcohol, Drug & Other Addiction Services
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II - Financial Statement Findings

Current Year Findings: No matters were reported.

Prior Year Findings: No matters were reported.

Section III - Federal Award Findings and Questioned Costs

Current Year Findings: No matters were reported.

Prior Year Findings: No matters were reported.

12/01/2019

Adjusted Trial Balance

Reviewed by _____

19:03 AM

for the period ended June 30, 2018

Page 3

Account # / Description	Prior Period (Adjusted) 06/30/2017	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Work Refer
100-500 Supplies						
101-000 Supplies - materials	1,263.42	379.58			379.58	
100-100 Telephone	13,756.58	16,368.82			16,368.82	
100-130 Internet	572.97	399.99			399.99	
100-140 Telephone						
100-400 Telephone						
100-100 Postage & Shipping	2,323.21	4,458.21			4,458.21	
100-130 Postage & Shipping						
100-140 Postage & Shipping						
100-400 Postage & Shipping						
100-500 Postage & Shipping						
100-100 Occupancy Rent	94,219.16	96,271.64			96,271.64	
100-130 Occupancy Rent						
100-140 Occupancy Rent						
100-400 Occupancy Rent						
100-100 Equipment Rent & Maintenance	7,846.06	8,689.70			8,689.70	
100-130 Equipment Rent & Maintenance						
100-140 Equipment Rent & Maintenance						
100-400 Equipment Rent & Maintenance						
100-100 Printing & Publication	13,019.31	10,841.73			10,841.73	
100-110 Printing & Publication						
100-130 Printing & Publication						
100-400 Printing & Publication						
100-100 Internet Service						
100-130 Internet Service						
100-140 Internet Service						
100-400 Internet Service						
100-100 Bookstore purchases	45,999.93	42,043.61			42,043.61	
100-500 Bookstore Purchases						
120-000 Bookstore maintenance	2,328.68	1,948.84			1,948.84	
150-500 Inventory Adjustment	(2,575.01)	(8,421.51)	AJE-1	8,421.51		
100-100 Travel	26,960.90	48,338.58	AJE-1	(8,421.51)	39,917.07	
100-110 Travel						
100-130 Travel						
100-140 Travel						
100-400 Travel						
100-500 Travel						
100-100 Conferences & Meetings	14,364.27	39,409.87			39,409.87	
100-110 Conferences & Meetings						
100-130 Conferences & Meetings						
100-140 Conferences & Meetings						
100-400 Conferences & Meetings						
100-500 Conferences & Meetings						
150-500 Non Reimbursed Hotel	151.88	(3.50)			(3.50)	
155-000 Employee repayment	(39.47)					
100-100 Insurance	2,527.48	2,581.33			2,581.33	
100-130 Insurance						
100-400 Insurance						
100-100 Depreciation						
100-130 Depreciation						
100-400 Depreciation						
100-100 Advertising	1,696.10	3,500.00			3,500.00	
100-130 Advertising						
100-400 Advertising						
110-100 Special event - Leg, Breakfast	3,975.60	4,788.28			4,788.28	

12/01/2019

Adjusted Trial Balance
for the period ended June 30, 2018

Reviewed by _____

19:03 AM

Page 4

Account # / Description	Prior Period (Adjusted) 06/30/2017	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Work Refe
110-200 Special event - Recovery Dinner	13,663.98	13,393.17			13,393.17	
110-300 Special event - Carival		4,990.00			4,990.00	
110-500 Special events	2,927.98					
120-100 Membership Dues	9,145.00					
120-140 Membership Dues discretionary	1,715.00	4,947.03			4,947.03	
120-400 Membership Dues		10,955.00			10,955.00	
130-100 Misc taxes	2,193.89	790.88			790.88	
100-500 Misc	7,947.50	9,298.36			9,298.36	
100-600 Bank service charges		75.08			75.08	
105-100 Website/IT support	2,165.00	15,861.79			15,861.79	
105-200 Website development		1,342.98			1,342.98	
110-000 Indirect expenses						
120-100 Alloc of Admin						
120-130 Alloc of Admin						
120-140 Alloc of Admin						
120-400 Alloc of Admin						
130-000 Indirect cost	(303.57)	1,307.55			1,307.55	
131-000 Indirect cost - accountant						
133-000 Indirect cost - Admin staff	9,379.68	6,584.16			6,584.16	
150-000 Investment account	6,273.90	22,492.42	AJE-2	(21,291.47)	1,200.95	
155-000 Unrealized Gain/Loss			AJE-2	1,953.93	1,953.93	
160-000 Interest Expense - LOC	15.00	3,428.16			3,428.16	
199-000 Rounding Account						
(Profit) Loss	56,929.95	(16,431.27)		0.00	(16,431.27)	

12/01/2019

19:03 AM

Adjusted Trial Balance
for the period ended June 30, 2018

Reviewed by _____

Page 1

Account # / Description	Prior Period (Adjusted) 06/30/2017	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Work Refer
140-000 Cash on Hand	150.00	150.00			150.00	
150-000 Avenue	29,945.94	9,780.91			9,780.91	
160-000 Suntrust Bank						
170-000 Pinnacle	34,165.24	37,996.13			37,996.13	
180-000 Merrill Lynch Bank						
190-000 Sycamore Financial	158,287.69	162,474.65			162,474.65	
20-000 Accounts Receivable	8,682.84	9,925.56			9,925.56	
20-999 AR audit adjustment						
30-000 Grants Receivable	175,029.69	200,009.91			200,009.91	
100-000 Inventory	27,517.83	35,939.34			35,939.34	
170-000 Prepaid Expenses						
110-000 Equipment	73,377.95	73,377.95			73,377.95	
160-000 Accumulated Depreciation	(73,377.95)	(73,377.95)			(73,377.95)	
110-000 Accounts Payable						
115-000 Deferred income						
120-000 Grant Payable						
125-000 Loan From Vernon Martin Exec Dir						
130-000 Sales Tax Payable	(27.74)					
140-000 Accrued Salaries						
140-999 Accrued expense audit adjust						
150-000 Advance Dues						
165-000 Suntrust visa	(12,648.15)	(1,606.04)			(1,606.04)	
166-000 Office Depot credit card	(354.89)	(476.40)			(476.40)	
167-000 Line of Credit	(60,000.00)	(80,000.00)			(80,000.00)	
170-000 Accrued Vacation Pay						
00-000 Payroll liabilities	(13,853.75)	(16,646.29)			(16,646.29)	
100-000 Deferred Income	(47,023.97)	(41,245.77)			(41,245.77)	
00-000 Net Assets	(356,800.68)	(299,870.73)			(299,870.73)	
(Profit) Loss	56,929.95	(16,431.27)		0.00	(16,431.27)	
	0.00	0.00		0.00	0.00	

12/01/2019

19:03 AM

Adjusted Trial Balance
for the period ended June 30, 2018

Reviewed by _____

Page 2

Account # / Description	Prior Period (Adjusted) 06/30/2017	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Work Refer
00-110 TDMH SBIRT						
00-130 TDMH Gambling						
00-140 TDMH Training						
02-000 TDMH Grant Support	(888,358.54)	(982,820.74)			(982,820.74)	
50-000 Outreach Income	(37,500.00)	(75,000.00)			(75,000.00)	
00-500 Bookstore Revenue	(55,474.36)	(61,746.82)			(61,746.82)	
00-999 Bookstore rev audit adjust						
50-000 Nongrant income	(5,180.87)	(53.42)			(53.42)	
00-500 Newsletter Advertising						
00-500 Interest Income	(13,461.20)	(9.81)			(9.81)	
01-500 Interest Income - bank	(30.77)	(154.13)			(154.13)	
02-500 Interest Income - investments	(1,396.83)	(26,679.38)	AJE-2	19,337.54	(7,341.84)	
10-000 PAT Income	(435.38)					
12-000 PRS Income	(18,000.00)					
13-000 CPRSC Income	(12,062.24)	(13,383.82)			(13,383.82)	
14-000 TCB Income	(3,290.47)	(8,493.34)			(8,493.34)	
15-000 ACA POG						
00-500 Contributions	(9,483.25)	(4,200.35)			(4,200.35)	
10-100 Recovery Month Dinner	(13,701.91)	(16,539.72)			(16,539.72)	
10-300 Carnival Revenue		(3,080.55)			(3,080.55)	
10-500 Special Events	(1,148.57)	(1,300.00)			(1,300.00)	
12-000 Training fees	(13,985.10)	(23,948.71)			(23,948.71)	
13-000 Rental Income	(16,510.41)	(11,629.63)			(11,629.63)	
14-000 Conference Room Income	(490.00)	(420.00)			(420.00)	
00-000 Dues - Membership		(217.57)			(217.57)	
10-500 Dues Sustaining Org	(39,600.00)	(42,938.54)			(42,938.54)	
13-500 Dues Individual	(423.97)	(837.12)			(837.12)	
14-500 Dues - Student Members	(100.00)	(73.97)			(73.97)	
16-500 Dues Affiliate Organizations	(250.00)	(2,100.00)			(2,100.00)	
00-500 Miscellaneous Income	(2,550.10)	(3,873.18)			(3,873.18)	
16-500 Returned check charges	(15.00)					
00-100 Salaries Clearinghouse	376,159.45	396,563.51			396,563.51	
00-130 Salaries Gambling						
00-140 Salaries Training						
00-400 Salaries Administration						
00-100 Employee Benefits	73,064.14	76,667.99			76,667.99	
00-130 Employee Benefits						
00-140 Employee Benefits						
00-400 Employee Benefits						
00-999 Emp ben audit adjustment						
00-100 Professional Fees contractors		370.50			370.50	
00-110 Professional Fees grants						
00-130 Professional Fees						
00-140 Professional Fees training						
00-400 Professional Fees						
00-500 Professional Fees						
05-000 Professional fees - Contractors	225,486.05	142,098.15			142,098.15	
10-000 Professional fees - Grants	110,518.80	83,899.34			83,899.34	
11-000 Professional fees - Grants travel	28,949.33	19,015.51			19,015.51	
12-000 Professional fees - Dept training	43,421.64	37,477.08			37,477.08	
00-100 Supplies	49,265.08	139,915.70			139,915.70	
00-110 Supplies						
00-130 Supplies						
00-140 Supplies						
00-400 Supplies						

Account #	Account Name / Description	Debits	Credits
<hr/>			
6/30/2018	AJE 1		
<hr/>			
100-100	Travel		8,421.51
150-500	Inventory Adjustment	8,421.51	
Per request of client - To reclass inventory adjustment. Bookstore revenue included receipts for donations, hotel reimbursement, and other non grant revenues.			
6/30/2018	AJE 2		
<hr/>			
102-500	Interest income - Investments	19,337.54	
150-000	Investment account		21,291.47
155-000	Unrealized Gain/Loss	1,953.93	
Per request of client - To reclass investment income, expense and change in FMV.			
Totals		29,712.98	29,712.98
		<hr/>	<hr/>