

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

FINANCIAL STATEMENTS

JUNE 30, 2017

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

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

JUNE 30, 2017

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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, 2017, 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.

Opinion

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, 2017, 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 an opinion on the financial statements as a whole. The accompanying roster of board members and executive director and the schedule of expenditures of federal awards and state financial assistance, are required by the state of Tennessee, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2018, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc.'s internal control over financial reporting and compliance.

Joe Osterfeld, CPA
Columbia, Tennessee
January 19, 2018

**TENNESSEE ASSOCIATION OF ALCOHOL,
DRUG & OTHER ABUSE SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

<u>ASSETS</u>	
Cash	\$222,549
Accounts receivable	8,683
Grantor receivable - State of Tennessee	175,030
Inventory	<u>27,518</u>
Total current assets	433,780
Land, building, and equipment	73,378
Accumulated depreciation	<u>(73,378)</u>
Net land, building, and equipment	0
Total assets	<u><u>\$433,780</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
Accounts payable	\$13,031
Accrued expenses	13,854
Note payable - line of credit	60,000
Deferred revenue - dues paid in advance	<u>47,024</u>
Total current liabilities	133,909
Net assets, unrestricted	<u>299,871</u>
Total net assets	<u>299,871</u>
Total liabilities and net assets	<u><u>\$433,780</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, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>PUBLIC SUPPORT AND REVENUE</u>			
Awards		\$888,188	\$ 888,188
Training fees	\$ 14,156		14,156
Bookstore revenues	55,474		55,474
Private grants	37,500		37,500
Conferences	33,787		33,787
Contributions	9,484		9,484
Special events	14,851		14,851
Membership dues	40,374		40,374
Rental	17,000		17,000
Other income	7,746		7,746
Investment income	13,461		13,461
Interest income	1,428		1,428
Net assets released from restrictions	888,188	(888,188)	0
Total public support and revenue	<u>1,133,449</u>	<u>0</u>	<u>1,133,449</u>
<u>EXPENSES</u>			
Program services	1,046,845	0	1,046,845
Support Services	143,534	0	143,534
Total expenses	<u>1,190,379</u>	<u>0</u>	<u>1,190,379</u>
Increase (decrease) in net assets	(56,930)	0	(56,930)
Net assets, beginning	<u>356,801</u>	<u>0</u>	<u>356,801</u>
Net assets, end of year	<u>\$299,871</u>	<u>\$0</u>	<u>\$299,871</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, 2017**

	Program Services												Support Services	
	Community Outreach	Screening, Intervention & Referral to Treatment	TCB	Problem Gambling Outreach & Education	ACA POG	Baptist Healing Trust Advocacy	Prevention Alliance of Tennessee Grant	PRSC	Behavioral Health Training	Peer Recovery Specialist Training	Affordable Care Act Training	Bookstore and Member Services	Management & General	Total
Salaries	\$46,674	\$11,331	\$49,403	\$5,148	\$0	\$47,967	\$172	\$0	\$119,763	\$1,494	\$0	\$4,433	\$89,775	\$376,160
Employee benefits	12,041	2,499	5,533	933	0	10,640	(12)	0	24,198	356	0	1,039	15,836	73,063
Professional services	17,927	65,344	15,143	3,771	0	727	0	8,916	197,093	18,836	0	48,039	32,580	408,376
Supplies	1,002	9,380	804	0	0	(39)	0	1,095	30,420	1,105	0	6,764	0	50,531
Bookstore purchases	0	0	0	0	0	0	0	0	0	0	0	45,754	0	45,754
Telephone and internet	472	38	968	456	0	1,496	0	0	8,452	0	0	3,732	881	16,495
Postage & shipping	340	50	75	35	0	0	0	0	1,648	158	0	17	0	2,323
Occupancy	28,321	1,642	1,020	3,048	0	3,756	0	0	38,836	0	0	17,595	0	94,218
Equipment rent & maintenance	743	14	0	155	0	0	0	0	6,798	0	0	137	0	7,847
Printing & publications	615	292	334	32	0	138	24	185	9,231	165	0	2,003	0	13,019
Travel, conferences & meetings	854	3,612	2,532	1,412	0	2,189	0	418	24,929	0	0	3,262	2,228	41,436
Special events	0	0	0	0	0	176	0	0	0	0	0	20,391	0	20,567
Insurance	253	0	250	635	0	0	0	0	840	0	0	550	0	2,528
Other personnel	0	0	0	0	0	0	0	0	0	0	0	0	0	-
Membership dues	2,425	0	125	0	0	0	0	0	6,025	0	0	2,285	0	10,860
Advertising & other expenses	0	0	3,988	1,500	0	2,750	2,824	0	0	0	0	13,906	2,234	27,202
Total expenses	\$111,667	\$94,202	\$80,175	\$17,125	\$0	\$69,800	\$3,008	\$10,614	\$468,233	\$22,114	\$0	\$169,907	\$143,534	\$1,190,379

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, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (decrease) in net assets	(\$56,930)
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Adjustments to reconcile increase in net assets to net cash provided (used) by operations:

Depreciation	0
(Increase) decrease in:	
Accounts receivable	(319)
Grant receivable - State of Tennessee	(62,701)
Inventory	(2,575)
Increase (decrease) in:	
Accounts payable	8,508
Accrued expenses	(1,169)
Grant payable	0
Deferred revenue	43,849
Total from operations	(71,337)

<u>INVESTING ACTIVITIES:</u>	0
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FINANCING ACTIVITIES:

Proceeds from Line of Credit	60,000
	60,000

Increase (decrease) in cash	(11,337)
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Beginning cash balance	233,886
	233,886

Ending cash balance	\$222,549
	\$222,549

Supplement Information:

Interest paid in FY2017	\$0.00
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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, 2017**

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, 2017.

- 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, 2017**

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, 2017**

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. TAADAS's Form 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2015, 2016 and 2017 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, 2017. 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, 2017, 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, 2017**

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, 2017.

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 monthly for any draws incurred. Balance due at June 30, 2017 is \$60,000.

**TENNESSEE ASSOCIATION FOR ALCOHOL,
DRUG & OTHER ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 - 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, 2017 was \$19,745.

NOTE 6 - 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.

NOTE 7 – OPERATING LEASES

Rent expense for the year ending June 30, 2017 was \$94,219 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 \$7,852 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 \$10,175 which also includes maintenance. Future minimum rental payments for leases with initial lease terms of one year or more are as follows:

FY2018	\$ 96,016
FY2019	\$ 99,088
FY2020	\$ 102,167
FY2021	\$ 78,366

NOTE 8 - DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through January 19, 2018, 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, 2017

CFDA Number	State Grant Number	Grantor Agency and Program Name	Balance July 1, 2016	Grant Cash Receipts	Expenditures	Balance June 30, 2017
<u>U.S. Department of Justice</u>						
Passed Through Tennessee Department of Mental Health & Substance Abuse Services:						
16.585	Edison 46946	Drug Court Discretionary Grant Program	(4,502)	4,502	-	-
<u>U.S. Department of Health and Human Services:</u>						
Passed Through Tennessee Department of Mental Health & Substance Abuse Services:						
93.959	Edison 46716	Block Grants for Prevention & Treatment of Substance Abuse	(38,330)	38,330	-	-
93.959	Edison 46901	Block Grants for Prevention & Treatment of Substance Abuse	(16,882)	16,882	-	-
93.959	Edison 46946	Block Grants for Prevention & Treatment of Substance Abuse	(20,151)	20,151	-	-
93.959	Edison 47039	Block Grants for Prevention & Treatment of Substance Abuse	(18,524)	18,524	-	-
93.959	Edison 49927	Block Grants for Prevention & Treatment of Substance Abuse	-	376,371	422,225	(45,854)
93.959	Edison 50025	Block Grants for Prevention & Treatment of Substance Abuse	-	138,525	140,000	(1,475)
93.959	Edison 49643	Block Grants for Prevention & Treatment of Substance Abuse	-	68,352	79,762	(11,410)
Total Drug and Alcohol Block Grant			(93,887)	677,135	641,987	(58,739)
93.243	Edison 47754	Substance Abuse & Mental Health Services Projects - SBIRT	(1,776)	1,776	-	-
93.243	Edison 47754	Substance Abuse & Mental Health Services Projects - SBIRT	-	73,745	104,031	(30,286)
Total Substance Abuse & Mental Health Services Projects			(1,776)	75,521	104,031	(30,286)
Total Federal Awards			<u>\$ (100,165)</u>	<u>\$ 757,158</u>	<u>\$ 746,018</u>	<u>\$ (89,025)</u>
<u>Tennessee Department of Mental Health & Substance Abuse Services:</u>						
Edison 34936		Problem Gambling Outreach Education & Referrals Program	(809)	809		-
Edison 49650		Problem Gambling Outreach Education & Referrals Program	-	19,569	20,000	(431)
Edison 46716		Training Program	(11,355)	11,355		-
Edison 49927		Training Program	-	36,596	122,170	(85,574)
Total State Financial Assistance			<u>\$ (12,164)</u>	<u>\$ 68,329</u>	<u>\$ 142,170</u>	<u>\$ (86,005)</u>
Grand Totals of Federal Awards and State Financial Assistance			<u>\$ (112,329)</u>	<u>\$ 825,487</u>	<u>\$ 888,188</u>	<u>\$ (175,030)</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 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, 2017**

Board Members

Jon Jackson - President

Barry Cooper - Past President

Norman Miler - 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

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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, 2017, 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 19, 2018.

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 19, 2018

**Tennessee Association of Alcohol, Drug & Other Addiction Services
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified.

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

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

Noncompliance material to financial statements noted? ___ yes X no

Section II - Financial Statement Findings

Current Year Findings: No matters were reported.

Prior Year Findings: No matters were reported.