

SAMARITAN RECOVERY COMMUNITY, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

JUNE 30, 2020 AND 2019

SAMARITAN RECOVERY COMMUNITY, INC.

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INTRODUCTORY SECTION

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF OFFICIALS
JUNE 30, 2020

Board of Trustees

Todd Friedenberg	Chairman
Walker Choppin	Vice-Chairman
Will Choppin	Treasurer
Betty Benoit	Board Member
Mike Coode	Board Member
Kim Cooney	Board Member
Stacey Garrett	Board Member
Mona Lisa McGhee	Board Member
Julie Smith	Board Member
Michael DeAgro	Board Member

Executive Staff

Deana Crossley	Executive Director
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FINANCIAL SECTION

**BELLENFANT**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Professional Accounting & Consulting Services

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Samaritan Recovery Community, Inc.
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Samaritan Recovery Community, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Samaritan Recovery Community, Inc., as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of officials and schedule of expenditures of federal awards and state financial assistance are presented for the 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 used 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 August 25, 2020 on our consideration of Samaritan Recovery Community, 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 of 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 Samaritan Recovery Community, Inc.'s internal control over financial reporting and compliance.

Bellenfant, PLLC

Nashville, Tennessee
August 25, 2020

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

CURRENT ASSETS	<u>2020</u>	<u>2019</u>
Cash	\$ 658,543	\$ 505,456
Investments	951,080	828,313
Accounts Receivable	52,986	35,477
Grants Receivable	105,133	109,255
Prepaid Expenses and Other Current Assets	<u>8,893</u>	<u>7,032</u>
Total Current Assets	<u>1,776,635</u>	<u>1,485,533</u>
FIXED ASSETS		
Fixed Assets, at cost, net of accumulated depreciation	<u>1,457,501</u>	<u>1,496,205</u>
Total Assets	<u><u>\$ 3,234,136</u></u>	<u><u>\$ 2,981,738</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 37,243	\$ 27,780
Accrued Expenses	86,257	79,171
Payroll Protection Program Loan	<u>213,600</u>	<u>-</u>
Total Current Liabilities	<u>337,100</u>	<u>106,951</u>
NET ASSETS		
Net Assets Without Donor Restrictions	<u>2,897,036</u>	<u>2,874,787</u>
Total Net Assets	<u>2,897,036</u>	<u>2,874,787</u>
Total Liabilities and Net Assets	<u><u>\$ 3,234,136</u></u>	<u><u>\$ 2,981,738</u></u>

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

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

SUPPORT AND REVENUE	Without Donor Restrictions	With Donor Restrictions	Total
Federal Government Awards	\$ 337,467	\$ -	\$ 337,467
State Government Awards	1,411,034	-	1,411,034
Private Pay Insurance	167,072	-	167,072
Self Pay	50,580	-	50,580
Contributions	5,630	-	5,630
Vending	7,050	-	7,050
Rental Income	146,140	-	146,140
Investment Income	33,905	-	33,905
Other	963	-	963
	<hr/>	<hr/>	<hr/>
Total Support and Revenue	\$ 2,159,841	\$ -	\$ 2,159,841
	<hr/>	<hr/>	<hr/>
EXPENSES			
Program Services:			
Intensive Residential	\$ 959,517	\$ -	\$ 959,517
Transitional Living	571,299	-	571,299
Supportive Housing	93,948	-	93,948
Non-Residential Programs	257,283	-	257,283
	<hr/>	<hr/>	<hr/>
Total Program Services	1,882,047	-	1,882,047
	<hr/>	<hr/>	<hr/>
Management and General	255,545	-	255,545
	<hr/>	<hr/>	<hr/>
Total Expenses	2,137,592	-	2,137,592
	<hr/>	<hr/>	<hr/>
Change in Net Assets	22,249	-	22,249
	<hr/>	<hr/>	<hr/>
Net Assets, beginning of year	2,874,787	-	2,874,787
	<hr/>	<hr/>	<hr/>
Net Assets, end of year	\$ 2,897,036	\$ -	\$ 2,897,036
	<hr/>	<hr/>	<hr/>

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

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

SUPPORT AND REVENUE	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Federal Government Awards	\$ 380,944	\$ -	\$ 380,944
State Government Awards	1,486,607	-	1,486,607
Program Service Fees	207,738	-	207,738
Managed Care Providers	159,067	-	159,067
Contributions	8,464	-	8,464
Vending	6,591	-	6,591
Investment Income	35,980	-	35,980
Other	<u>2,567</u>	<u>-</u>	<u>2,567</u>
 Total Support and Revenue	 <u>\$ 2,287,958</u>	 <u>\$ -</u>	 <u>\$ 2,287,958</u>
 EXPENSES			
Program Services:			
Intensive Residential	\$ 928,190	\$ -	\$ 928,190
Transitional Living	573,299	-	573,299
Supportive Housing	126,671	-	126,671
Non-Residential Programs	<u>236,779</u>	<u>-</u>	<u>236,779</u>
 Total Program Services	 <u>1,864,939</u>	 <u>-</u>	 <u>1,864,939</u>
 Management and General	 <u>259,582</u>	 <u>-</u>	 <u>259,582</u>
 Total Expenses	 <u>2,124,521</u>	 <u>-</u>	 <u>2,124,521</u>
 Change in Net Assets	 163,437	 -	 163,437
 Net Assets, beginning of year	 <u>2,711,350</u>	 <u>-</u>	 <u>2,711,350</u>
 Net Assets, end of year	 <u><u>\$ 2,874,787</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 2,874,787</u></u>

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

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services					Support Services		
	Intensive Residential	Transitional Living	Supportive Housing	Non- Residential	Total Treatment Programs	Management and General	Total Support	Total All Funds
Salaries	\$ 538,492	\$ 260,186	\$ 33,268	\$ 82,961	\$ 914,907	\$ 24,032	\$ 24,032	\$ 938,939
Employee Benefits	80,853	37,173	4,881	12,279	135,186	3,608	3,608	138,794
Retirement	2,097	1,537	74	220	3,928	737	737	4,665
Payroll Taxes	49,696	22,766	2,840	7,212	82,514	2,021	2,021	84,535
	671,138	321,662	41,063	102,672	1,136,535	30,398	30,398	1,166,933
Professional Fees	129,271	91,338	892	53,176	274,677	82,087	82,087	356,764
Food	50,729	50,727	-	-	101,456	-	-	101,456
Supplies	32,375	32,374	241	97,432	162,422	1,075	1,075	163,497
Office Expense	1,787	6,716	497	-	9,000	165	165	9,165
Telephone	2,510	1,353	307	962	5,132	636	636	5,768
Occupancy	35,432	34,889	44,238	-	114,559	15,341	15,341	129,900
Equipment Rental and Maintenance	15,866	15,708	5,516	-	37,090	158	158	37,248
Insurance	14,925	9,851	1,194	2,985	28,955	896	896	29,851
Travel	2,403	2,402	-	-	4,805	-	-	4,805
Conferences and Meetings	1,368	1,368	-	-	2,736	-	-	2,736
Dues and Subscriptions	1,488	2,686	-	56	4,230	-	-	4,230
Miscellaneous	225	225	-	-	450	20	20	470
Depreciation	-	-	-	-	-	124,769	124,769	124,769
Total Expenses	<u>\$ 959,517</u>	<u>\$ 571,299</u>	<u>\$ 93,948</u>	<u>\$ 257,283</u>	<u>\$ 1,882,047</u>	<u>\$ 255,545</u>	<u>\$ 255,545</u>	<u>\$ 2,137,592</u>

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

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services					Support Services		
	Intensive Residential	Transitional Living	Supportive Housing	Non- Residential	Total Treatment Programs	Management and General	Total Support	Total All Funds
Salaries	\$ 510,366	\$ 258,429	\$ 31,812	\$ 97,854	\$ 898,461	\$ 27,095	\$ 27,095	\$ 925,556
Employee Benefits	59,187	30,956	3,798	11,352	105,293	3,187	3,187	108,480
Retirement	2,127	1,571	74	260	4,032	726	726	4,758
Payroll Taxes	47,301	22,023	2,718	9,519	81,561	2,245	2,245	83,806
	618,981	312,979	38,402	118,985	1,089,347	33,253	33,253	1,122,600
Professional Fees	150,789	102,027	1,215	53,555	307,586	80,333	80,333	387,919
Food	45,408	45,408	-	-	90,816	-	-	90,816
Supplies	20,126	19,651	2,106	59,686	101,569	-	-	101,569
Office Expense	2,346	2,309	7	-	4,662	878	878	5,540
Telephone	2,487	1,346	313	947	5,093	649	649	5,742
Occupancy	36,695	36,713	42,863	257	116,528	15,087	15,087	131,615
Equipment Rental and Maintenance	20,238	20,340	3,967	-	44,545	-	-	44,545
Insurance	14,805	9,911	1,159	2,868	28,743	911	911	29,654
Travel	3,989	3,989	-	-	7,978	-	-	7,978
Conferences and Meetings	6,636	6,064	-	-	12,700	-	-	12,700
Membership Dues	5,580	6,617	-	481	12,678	-	-	12,678
Miscellaneous	110	5,945	-	-	6,055	-	-	6,055
Bad Debt	-	-	-	-	-	42,646	42,646	42,646
Depreciation	-	-	36,639	-	36,639	85,825	85,825	122,464
Total Expenses	<u>\$ 928,190</u>	<u>\$ 573,299</u>	<u>\$ 126,671</u>	<u>\$ 236,779</u>	<u>\$ 1,864,939</u>	<u>\$ 259,582</u>	<u>\$ 259,582</u>	<u>\$ 2,124,521</u>

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

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2020</u>	<u>2019</u>
Change in Net Assets	\$ 22,249	\$ 163,437
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	124,769	122,464
Realized/Unrealized (Gain) Loss on Investments	(9,054)	(10,438)
(Increase) Decrease in:		
Accounts Receivable	(17,509)	39,160
Grants Receivable	4,122	24,506
Prepaid Expenses and Other Current Assets	(1,861)	1,925
Increase (Decrease) in:		
Accounts Payable	9,463	6,631
Accrued Expenses	7,086	1,440
Net Cash Provided (Used) by Operating Activities	<u>139,265</u>	<u>349,125</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments (Purchased) Sold	(113,713)	(207,706)
Disposal (Purchase) of Fixed Assets	<u>(86,065)</u>	<u>(93,481)</u>
Net Cash Provided (Used) by Investing Activities	<u>(199,778)</u>	<u>(301,187)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payroll Protection Program Loan Issuance	<u>213,600</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>213,600</u>	<u>-</u>
Net Increase (Decrease) in Cash	153,087	47,938
Cash, beginning of year	<u>505,456</u>	<u>457,518</u>
Cash, end of year	<u><u>\$ 658,543</u></u>	<u><u>\$ 505,456</u></u>

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

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

Samaritan Recovery Community, Inc. (the Organization), a non-profit organization, is involved in the treatment of chemical dependency (alcohol and drug addiction). All programs are conducted on-premises except for supportive housing and the out-patient program.

Basis of Accounting:

A significant part of the Samaritan Recovery Community Inc.'s support is derived from government grants and contracts. Contributions by grantors for specific purposes are reported as support in the period a liability is incurred for expenditures in compliance with specific grant requirements. Such amounts received but not yet recognized are reported as deferred revenue. Contributions received are recorded as with or without donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Organization is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - These are net assets that are not subject to donor-imposed stipulations. The Organization had \$2,897,036 and \$2,874,787 of net assets without donor restrictions as of June 30, 2020 and 2019, respectively.

Net assets with donor restrictions - These are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. This classification also includes net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no net assets with donor restrictions as of June 30, 2020 and 2019.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses:

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

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.

Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Fixed Assets:

The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Fixed assets is recorded at cost at the date of purchase. Donated fixed assets are recorded at their fair value at the date of the donation. Certain fixed assets have been purchased in part or in full with grant funds, and to that extent, the State of Tennessee retains a reversionary interest in these assets in the event of their disposition. Depreciation is calculated by the straight-line method over the useful lives of the respective assets as follows:

Buildings	30 years
Land Improvements	5 years
Vehicles	5 years
Furniture and Equipment	5 years

Accounts Receivable and Allowance for Doubtful Accounts:

It is the policy of the Organization to record accounts receivable when the amount becomes known. Management considers all receivables as of June 30, 2020 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the year ended December 31, 2019.

In June 2018, FASB issued ASU 2018-08, Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. ASU 2018-08 is effective for the Organization for the year ended December 31, 2019.

Accounting Policies for Future Pronouncements

In February 2016, FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending December 31, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

2. FEDERAL INCOME TAX STATUS

The Organization has been determined by the Internal Revenue Service to be exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Accordingly, the financial statements do not reflect a provision for income taxes.

The Organization files a U.S. Federal Form 990-Return of Organization Exempt from Income Tax. The Organization's returns for the years prior to fiscal year ended June 30, 2017 are no longer open for examination.

The Organization has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Organization believes that it has taken no uncertain tax positions.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

3. FUNDING AND CONCENTRATION

The Organization receives a major portion of the funds that it uses to conduct its programs from the Tennessee Department of Mental Health and Substance Abuse Service under one federal grant contract and multiple state grant contracts. This represents approximately 81% and 82% of the Organization's total support and revenue as of June 30, 2020 and 2019, respectively. A major reduction of funds from one of the grants, should this occur, would have a material effect on the programs and the financial position of the Organization.

4. FIXED ASSETS

The components of fixed assets are categorized as follows:

	<u>2020</u>	<u>2019</u>
Buildings	\$ 497,480	\$ 497,480
Land Improvements	2,738,423	2,687,753
Vehicles	90,399	90,399
Furniture and Equipment	409,731	374,336
Fixed Assets, gross	3,736,033	3,649,968
Less: Accumulated Depreciation	(2,278,532)	(2,153,763)
Fixed Assets, net	<u>\$ 1,457,501</u>	<u>\$ 1,496,205</u>
 Total Depreciation for the Year	 <u>\$ 124,769</u>	 <u>\$ 122,464</u>

5. MANAGEMENT AGREEMENT

The Organization entered into a management agreement with Xebec Management, Inc. on October 10, 1985 for the management of the Organization. On June 25, 2015, the board of trustees approved another five-year renewal of the agreement that extends the term until December 1, 2020. The management fee is computed based on a percentage of monthly net revenues. The management fee was \$253,123 and \$266,953 for the years ended June 30, 2020 and 2019, respectively.

6. EMPLOYEE COSTS

Included in the management agreement is an employee leasing agreement for all of the employees of the Organization. The Organization reimburses the management company the actual cost of the of the payroll plus a minor service fee. The costs of salaries, payroll taxes and other benefits are shown in the financials as though they were paid directly by the Organization.

The leasing arrangement includes a 401(k) plan for all eligible Organization employees. Employees may contribute up to 15% of their compensation and the Organization will contribute one dollar for every dollar of employee contributions up to 5% of the employee's salary. Employer contributions vest periodically based on length of participation in the plan. The total expense under this plan was \$4,666 and \$4,758 for the years ended June 30, 2020 and 2019, respectively.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

7. CONCENTRATION OF CREDIT RISK

The Organization maintains accounts at one commercial bank. As of June 30, 2020 and 2019, one cash account exceeded the Federal Deposit Insurance Corporation limit of \$250,000. However, management does not see this as a threat to the organization.

8. COMMITMENTS

The Organization had a 60 month lease for office equipment. The lease began on March 6, 2015 and expired on March 5, 2020.

The Organization has a 39 month lease for office equipment. The lease began on August 1, 2017 and will expire on October 31, 2021. The lease has a fixed payment of \$221 per month.

Rent paid on the office equipment leases totaled \$3,732 and \$3,941 for the years ended June 30, 2020 and 2019, respectively.

Future minimum rental payments required are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2021	2,210
Total	<u>\$ 2,210</u>

9. INVESTMENTS

Investment securities are carried at fair value based upon quoted prices in active markets (all Level 1) and consist of the following as of June 30:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity Funds	\$ 491,786	\$ 585,692	\$ 383,421	\$ 453,889
Fixed Income	190,199	207,303	271,603	276,620
Alternative Investments	51,309	53,085	47,311	47,804
Money Market	105,000	105,000	50,000	50,000
	<u>\$ 838,294</u>	<u>951,080</u>	<u>\$ 752,335</u>	<u>828,313</u>

Total investment gain relating to marketable securities and instruments consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Interest & Dividend Income	\$ 24,851	\$ 25,542
Realized Gain (Loss)	(23,250)	5,613
Unrealized Gain (Loss)	32,304	4,825
Investment Income	<u>\$ 33,905</u>	<u>\$ 35,980</u>

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, receivables, prepaids, payables and accruals: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

11. FAIR VALUE OF INVESTMENTS

The Organization's investments are reported at fair value in the accompanying statement of financial position.

Fair Value Measurements at June 30, 2020				
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Funds	\$ 585,692	\$ 585,692	\$ -	\$ -
Fixed Income	207,303	207,303	-	-
Alternative Investments	53,085	53,085	-	-
Money Market	105,000	105,000	-	-
	<u>951,080</u>	<u>\$ 951,080</u>	<u>\$ -</u>	<u>\$ -</u>
Fair Value Measurements at June 30, 2019				
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Funds	\$ 453,889	\$ 453,889	\$ -	\$ -
Fixed Income	276,620	276,620	-	-
Alternative Investments	47,804	47,804	-	-
Money Market	50,000	50,000	-	-
	<u>828,313</u>	<u>\$ 828,313</u>	<u>\$ -</u>	<u>\$ -</u>

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

11. FAIR VALUE OF INVESTMENTS (Continued)

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Fair Value Measurements, 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 have the lowest priority. The Foundation uses the appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements - The fair value of the investments are based on the closing price reported on the active market where the securities are traded.

Level 2 Fair Value Measurements - The fair value of the investments are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly, or indirectly.

Level 3 Fair Value Measurements - The fair value of the investments are based on at least one significant unobservable input.

12. PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

In response to the COVID-19 pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and it was signed into law on March 27, 2020. The CARES Act implemented the Payroll Protection Program (PPP), which provides loans to small businesses and charitable organizations to keep their employees on payroll. The Organization obtained a PPP loan for \$213,000 on April 25, 2020. The portion of loan proceeds that is spent on qualified payroll costs and operational expenses will be forgiven.

13. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

	2020	2019
Financial assets, at year-end	\$ 1,609,623	\$ 1,333,769
Less: assets held in investments	<u>(951,080)</u>	<u>(828,313)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 658,543</u>	<u>\$ 505,456</u>

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 25, 2020 which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization characterized the outbreak of the COVID-19 coronavirus as a pandemic. Since the Organization receives the majority of its revenue from reimbursable grants, the pandemic may significantly impact enrollment and subsequently affect the Organization's ability to generate revenue.

SUPPLEMENTAL INFORMATION

SAMARITAN RECOVERY COMMUNITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/ Pass-Through Grantor	Program/Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
<u>Federal Awards</u>					
<u>Pass-through Funding:</u>					
US Department of Health and Human Services through Tennessee Department of Mental Health & Substance Abuse Services	Buprenorphine State Targeted Response Opiod	93.788	DGA 57913		\$ 17,405
US Department of Health and Human Services through Tennessee Department of Mental Health & Substance Abuse Services	State Opiod Response - Spoke	93.788	DGA 64279		251,675
US Department of Health and Human Services through Tennessee Department of Mental Health & Substance Abuse Services	State Opiod Response - Spoke	93.788	DGA 62559		68,387
Total Program 93.788					\$ 337,467
TOTAL FEDERAL AWARDS					\$ 337,467
<u>State Financial Assistance</u>					
Tennessee Department of Mental Health & Substance Abuse Services	Alcohol and Drug Addiction Treatment	N/A	DGA 62141		34,985
Tennessee Department of Mental Health & Substance Abuse Services	Supervised Probation Offender Treatment	N/A	DGA 62142		91,457
Tennessee Department of Mental Health & Substance Abuse Services	TN Dept of Correction Community Treatment Collaborative	N/A	DGA 62144		61,587
Tennessee Department of Mental Health & Substance Abuse Services	Criminal Justice Enhancement - Federal	N/A	DGA 62141		68,069
Tennessee Department of Mental Health & Substance Abuse Services	Addictions Recovery Program	N/A	DGA 62133		24,985
Tennessee Department of Mental Health & Substance Abuse Services	Adult Continuum of Care Block Grant	N/A	DGA 62136		1,129,951
TOTAL STATE FINANCIAL ASSISTANCE					\$ 1,411,034
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE					\$ 1,748,501

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarized the expenditures of Samaritan Recovery Community, Inc. under programs of the federal and state governments for the year ended June 30, 2020. The schedule is presented using the accrual basis of accounting.

SAMARITAN RECOVERY COMMUNITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass-Through Grantor	Program/Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
<u>Federal Awards</u>					
<u>Pass-through Funding:</u>					
US Department of Health and Human Services through Tennessee Department of Mental Health & Substance Abuse Services	Adult Continuum State Targeted Response Opiod	93.788	DGA 57909		\$ 174,323
US Department of Health and Human Services through Tennessee Department of Mental Health & Substance Abuse Services	Addictions Recovery Program State Targeted Response Opiod	93.788	DGA 57910		11,985
US Department of Health and Human Services through Tennessee Department of Mental Health & Substance Abuse Services	Buprenorphine State Targeted Response Opiod	93.788	DGA 57913		178,940
US Department of Health and Human Services through Tennessee Department of Mental Health & Substance Abuse Services	Vivitrol State Targeted Response Opiod	93.788	DFA 57914		480
US Department of Health and Human Services through Tennessee Department of Mental Health & Substance Abuse Services	State Opiod Response - Spoke	93.788	DGA 62559		15,216
Total Program 93.788					\$ 380,944
TOTAL FEDERAL AWARDS					\$ 380,944
<u>State Financial Assistance</u>					
Tennessee Department of Mental Health & Substance Abuse Services	Alcohol and Drug Addiction Treatment	N/A	DGA 58040		106,956
Tennessee Department of Mental Health & Substance Abuse Services	Supervised Probation Offender Treatment	N/A	DGA 58041		124,995
Tennessee Department of Mental Health & Substance Abuse Services	TN Dept of Correction Community Treatment Collaborative	N/A	DGA 58042		99,569
Tennessee Department of Mental Health & Substance Abuse Services	Addictions Recovery Program	N/A	DGA 58043		24,995
Tennessee Department of Mental Health & Substance Abuse Services	Adult Continuum of Care Block Grant	N/A	DGA 58044		1,130,092
TOTAL STATE FINANCIAL ASSISTANCE					\$ 1,486,607
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE					\$ 1,867,551

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarized the expenditures of Samaritan Recovery Community, Inc. under programs of the federal and state governments for the year ended June 30, 2019. The schedule is presented using the accrual basis of accounting.

COMPLIANCE AND INTERNAL CONTROL

**BELLENFANT**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Professional Accounting & Consulting Services

**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**

Board of Trustees
Samaritan Recovery Community, 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 Samaritan Recovery Community, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated August 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Samaritan Recovery Community, 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 Samaritan Recovery Community, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Samaritan Recovery Community, 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 the 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 Samaritan Recovery Community, 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 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.

Bellenfant, PLLC

Nashville, Tennessee
August 25, 2020

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

PART I - SUMMARY OF AUDITOR'S RESULTS

1. Type of auditor's report issued: Unqualified
2. Internal control over financial reporting:
- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified not
considered to be material weaknesses? _____ Yes X None reported
3. Noncompliance material to financial statements noted? _____ Yes X No

**PART II – FINDINGS AND QUESTIONED COST REPORTED IN ACCORDANCE WITH
GENERALLY ACCEPTED GOVERNMENT AUDITING PROCEDURES**

1. There were no findings reported in accordance with generally accepted government auditing standards.

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

There were no audit findings for the year ended June 30, 2019.