

**SAMARITAN RECOVERY COMMUNITY, INC.**

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

**FOR THE YEAR END JUNE 30, 2017**

## **SAMARITAN RECOVERY COMMUNITY, INC.**

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# 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 statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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, 2017, and the changes in its net assets and its cash flows 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 schedule of expenditures of federal and state awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purposes of additional analysis and is 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 31, 2017 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 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 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*

August 31, 2017

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**

**ASSETS**

**Current Assets:**

Cash	\$ 214,623
Investments	601,994
Accounts Receivable	51,892
Grants Receivable	37,192
Prepaid Expenses and Other	<u>12,720</u>

Total Current Assets 918,421

**Property and Equipment:**

Property and equipment, at cost, net of accumulated depreciation	<u>1,585,841</u>
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Total Assets \$ 2,504,262

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 2,423
Accrued Expenses	<u>55,219</u>

Total Current Liabilities 57,642

**Net Assets**

Unrestricted	<u>2,446,620</u>
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Total Net Assets 2,446,620

Total Liabilities and Net Assets \$ 2,504,262

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

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Support and Revenue:**

Federal Government Awards	\$ 897,734
State Government Awards	262,039
Program Service Fees	237,368
Managed Care Providers	186,551
Contributions	5,376
Vending	6,033
Investment Income	52,863
Other	<u>1,448</u>
 Total Support and Revenue	 <u>1,649,412</u>

**Expenses:**

Program Services:	
Intensive Residential	722,699
Transitional Living	536,205
Supportive Housing	135,639
Non-Residential Programs	79,735
Management and General	<u>191,432</u>
 Total Expenses	 <u>1,665,710</u>
 Change in Net Assets	 (16,298)
 Net Assets - July 1, 2016	 <u>2,462,918</u>
 Net Assets - June 30, 2017	 <u><u>\$ 2,446,620</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, 2017**

	<b>Program Services</b>					<b>Support Services</b>		
	<b>Intensive Residential</b>	<b>Transitional Living</b>	<b>Supportive Housing</b>	<b>Non- Residential</b>	<b>Total Treatment Programs</b>	<b>Management and General</b>	<b>Total Support</b>	<b>Total All Funds</b>
Salaries	\$ 393,782	\$ 279,441	\$ 44,706	\$ 58,106	\$ 776,035	\$ 32,137	\$ 32,137	\$ 808,172
Employee Benefits	41,141	29,135	5,868	6,086	82,230	3,804	3,804	86,034
Retirement	2,939	2,544	1,326	251	7,060	(4,726)	(4,726)	2,334
Payroll Taxes	37,734	26,713	3,920	5,612	73,979	2,782	2,782	76,761
	475,596	337,833	55,820	70,055	939,304	33,997	33,997	973,301
Professional Fees	114,465	75,294	1,694	4,990	196,443	61,641	61,641	258,084
Food	33,523	32,875	-	-	66,398	-	-	66,398
Supplies	12,208	12,169	-	1,495	25,872	-	-	25,872
Office Expense	1,726	1,715	-	-	3,441	746	746	4,187
Telephone	2,272	1,224	288	869	4,653	592	592	5,245
Occupancy	32,393	32,309	34,189	-	98,891	14,504	14,504	113,395
Equipment Rental and Maintenance	20,460	20,510	7,266	-	48,236	-	-	48,236
Insurance	14,643	8,811	1,617	1,921	26,992	1,978	1,978	28,970
Travel	3,331	3,331	-	-	6,662	-	-	6,662
Conferences and Meetings	9,288	2,016	-	-	11,304	-	-	11,304
Membership Dues	1,950	2,902	-	405	5,257	-	-	5,257
Miscellaneous	844	5,216	643	-	6,703	-	-	6,703
Depreciation	-	-	34,122	-	34,122	77,974	77,974	112,096
Total Expenses	\$ 722,699	\$ 536,205	\$ 135,639	\$ 79,735	\$ 1,474,278	\$ 191,432	\$ 191,432	\$ 1,665,710

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

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (16,298)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	112,096
Realized (Gain) Loss on Investments	(4,104)
Unrealized (Gain) Loss on Investments	(25,430)
(Increase) Decrease in:	
Grants Receivable	35,178
Accounts Receivable	11,009
Prepaid Expenses and Other Current Assets	(6,474)
Increase (Decrease) in:	
Accounts Payable	(4,631)
Accrued Expenses	(17,334)
	<hr/>
Net Cash Provided (Used) by Operating Activities	<hr/> 84,012 <hr/>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investments Sold	45,946
Purchase of Property and Equipment	(46,170)
	<hr/>
Net Cash Provided (Used) by Investing Activities	<hr/> (224) <hr/>
Net Increase (Decrease) in Cash	83,788
Cash - July 1, 2016	130,835
	<hr/>
Cash - June 30, 2017	<hr/> \$ 214,623 <hr/>

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



**SAMARITAN RECOVERY COMMUNITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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 unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets 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 three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*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 actions of the Organization 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. The Organization currently has no temporarily restricted net assets.

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Permanently restricted net assets* - 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 currently has no permanently restricted net assets.

**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.

**Property and Equipment:**

The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$500. Property and equipment is recorded at cost at the date of purchase. Donated property and equipment are recorded at their fair value at the date of the donation. Certain property and equipment 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:

Land Improvements	5 years
Buildings	30 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, 2017 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2014 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.

**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 four state grant contracts. This represents approximately 71% of the Organization's total support and revenue. 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. PROPERTY AND EQUIPMENT**

The components of property and equipment are categorized as follows:

Land and Improvements	\$ 497,480
Buildings	2,616,335
Vehicles	90,399
Furniture and Equipment	<u>319,709</u>
	3,523,923
Less: Accumulated Depreciation	<u>(1,938,082)</u>
	<u><u>\$ 1,585,841</u></u>
 Depreciation for the Year	 <u><u>\$ 112,096</u></u>

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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 for the year was \$191,438.

**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 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 for the year under this plan was \$8,142.

**7. CONCENTRATION OF CREDIT RISK**

The Organization maintains accounts at one commercial bank. As of June 30, 2017, the Organizations deposits were fully insured under the Federal Deposit Insurance Corporation limit of \$250,000.

**8. COMMITMENTS**

The Organization has a 60 month lease for office equipment. The lease began on March 6, 2015 and will expire on March 5, 2020. The lease has a fixed payment of \$90 per month.

The Organization has a 39 month lease for office equipment. The lease began on August 1, 2017 and will expire on October 31, 2020. The lease has a fixed payment of \$221 per month.

Rent paid on the office equipment leases for the year ended June 30, 2017 totaled \$3,975.

Future minimum rental payments required are as follows:

Year ended June 30,	Amount
2018	2,185
2019	3,732
2020	3,462
2021	2,210
Total	<u>\$ 11,589</u>

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**9. INVESTMENTS**

Investment securities are carried at fair value based upon quoted prices in active markets (all Level 1) and consist of the following at June 30, 2017.

	<u>Cost</u>	<u>Fair Value</u>
Municipal Bonds	\$ 26,430	\$ 26,361
Corporate Bonds	207,377	205,536
Equity Funds - ETFs	206,315	293,256
Mutual Funds - Balanced Funds	26,838	26,054
Other Fixed Income Investments	10,000	9,886
Alternative Investments	31,422	40,901
	<u>\$ 508,382</u>	<u>601,994</u>

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

Interest Income	\$ 14,341
Dividend Income	8,988
Realized Gain (Loss)	4,104
Unrealized Gain (Loss)	25,430
Investment Income	<u>\$ 52,863</u>

**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.

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2017**

**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, 2017 Using				
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Municipal Bonds	\$ 26,361	\$ 26,361	\$ -	\$ -
Corporate Bonds	205,536	205,536	-	-
Equity Funds - ETFs	293,256	293,256	-	-
Mutual Funds - Balanced Funds	26,054	26,054	-	-
Other Fixed Income Investments	9,886	9,886	-	-
Alternative Investments	40,901	40,901	-	-
	<u>601,994</u>	<u>\$ 601,994</u>	<u>\$ -</u>	<u>\$ -</u>

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. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 31, 2017 which is the date the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Agency	Program Name	CFDA Number	Grant Period	Contract Number	Grant Receivable 6/30/2016	Receipts	Expenditures	Grant Receivable 6/30/2017
<u>Federal Awards</u>								
U.S. Department of Health and Human Services Pass Through:								
State of Tennessee Department of Mental Health and Substance Abuse Services	Adult Continuum of Care Block Grant	93.959	7/1/2015 - 6/30/2016	DGA 45367_2015-2016_023	\$ 53,682	\$ 53,682	\$ -	\$ -
State of Tennessee Department of Mental Health and Substance Abuse Services	Adult Continuum of Care Block Grant	93.959	7/1/2016 - 6/30/2017	DGA 48972_2016-2017_023	-	873,896	897,734	23,838
Total Federal Awards					<u>\$ 53,682</u>	<u>\$ 927,578</u>	<u>\$ 897,734</u>	<u>\$ 23,838</u>
<u>State Awards</u>								
State of Tennessee Department of Mental Health and Substance Abuse Services	Addictions Recovery Program	N/A	7/1/2015 - 6/30/2016	DGA 45369_2015-2016_52	\$ 1,505	\$ 1,505	\$ -	\$ -
State of Tennessee Department of Mental Health and Substance Abuse Services	Addictions Recovery Program	N/A	7/1/2016 - 6/30/2017	DGA 48990_2016-2017_050	-	16,485	17,970	1,485
State of Tennessee Department of Mental Health and Substance Abuse Services	Alcohol and Drug Addiction Treatment for Indigent Driving Under the Influence Offenders (ADAT-DUI)	N/A	7/1/2015-6/30/2016	Edison # 45421	9,240	9,240	-	-
State of Tennessee Department of Mental Health and Substance Abuse Services	Alcohol and Drug Addiction Treatment for Indigent Driving Under the Influence Offenders (ADAT-DUI)	N/A	7/1/2016-6/30/2017	Edison # 48976	-	99,371	105,136	5,765



**SAMARITAN RECOVERY COMMUNITY, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Agency	Program Name	CFDA Number	Grant Period	Contract Number	Grant Receivable 6/30/2016	Receipts	Expenditures	Grant Receivable 6/30/2017
<u>State Awards - Continued</u>								
State of Tennessee Department of Mental Health and Substance Abuse Services	Alcohol and Drug Addiction Treatment for Indigent Supervised Probation Offender Treatment (ADAT-SPOT)	N/A	7/1/2016-6/30/2017	Edison # 49039	\$ -	\$ 38,941	\$ 41,500	\$ 2,559
State of Tennessee Department of Mental Health and Substance Abuse Services	Tennessee Department of Corrections Community Treatment Collaborative	N/A	7/1/2015-6/30/2016	Edison # 45420	7,943	7,943	-	-
State of Tennessee Department of Mental Health and Substance Abuse Services	Tennessee Department of Corrections Community Treatment Collaborative	N/A	7/1/2016-6/30/2017	Edison # 48973	-	93,888	97,433	3,545
Total State Awards					<u>\$ 18,688</u>	<u>\$ 267,373</u>	<u>\$ 262,039</u>	<u>\$ 13,354</u>
Total Federal and State Awards					<u>\$ 72,370</u>	<u>\$ 1,194,951</u>	<u>\$ 1,159,773</u>	<u>\$ 37,192</u>

The accompanying schedule of expenditures of federal and state awards summarizes the expenditures of the Organization under grants and contracts of the federal and state government for the year ended June 30, 2017. This schedule is presented on the accrual basis of accounting.

This schedule is presented in accordance with the 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)*.



**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 statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 31, 2017.

**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*

August 31, 2017

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**PART I - SUMMARY OF AUDITOR'S RESULTS**

1. Type of auditor's report issued: Unmodified
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, 2017**

There were no audit findings for the year ended June 30, 2016.