

SAMARITAN RECOVERY COMMUNITY, INC

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

JUNE 30, 2018 AND 2017

SAMARITAN RECOVERY COMMUNITY, INC.

TABLE OF CONTENTS

INTRODUCTORY SECTION

Schedule of Officials	4
-----------------------	---

FINANCIAL SECTION

Independent Auditor's Report	6
------------------------------	---

Financial Statements:

Statements of Financial Position	8
----------------------------------	---

Statements of Activities	9
--------------------------	---

Statements of Functional Expenses	10
-----------------------------------	----

Statements of Cash Flows	12
--------------------------	----

Notes to Financial Statements	13
-------------------------------	----

SUPPLEMENTAL INFORMATION

Schedules of Expenditures of Federal Awards and State Financial Assistance	21
--	----

COMPLIANCE AND INTERNAL CONTROL

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	24
--	----

Schedule of Findings and Responses	26
------------------------------------	----

Schedule of Prior Audit Findings	27
----------------------------------	----

INTRODUCTORY SECTION

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF OFFICIALS
JUNE 30, 2018

Board of Trustees

Todd Friedenber	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

Executive Staff

Deana Crossley	Executive Director
----------------	--------------------

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, 2018 and 2017, 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, 2018 and 2017, 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 31, 2018 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, 2018

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

CURRENT ASSETS	<u>2018</u>	<u>2017</u>
Cash	\$ 457,518	\$ 214,623
Investments	610,169	601,994
Accounts Receivable	74,637	51,892
Grants Receivable	133,761	37,192
Prepaid Expenses and Other Current Assets	<u>8,957</u>	<u>12,720</u>
Total Current Assets	<u>1,285,042</u>	<u>918,421</u>
FIXED ASSETS		
Fixed Assets, at cost, net of accumulated depreciation	<u>1,525,188</u>	<u>1,585,841</u>
Total Assets	<u><u>\$ 2,810,230</u></u>	<u><u>\$ 2,504,262</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 21,149	\$ 2,423
Accrued Expenses	<u>77,731</u>	<u>55,219</u>
Total Current Liabilities	<u>98,880</u>	<u>57,642</u>
NET ASSETS		
Unrestricted	<u>2,711,350</u>	<u>2,446,620</u>
Total Net Assets	<u>2,711,350</u>	<u>2,446,620</u>
Total Liabilities and Net Assets	<u><u>\$ 2,810,230</u></u>	<u><u>\$ 2,504,262</u></u>

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

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

SUPPORT AND REVENUE	<u>2018</u>	<u>2017</u>
Federal Government Awards	\$ 289,951	\$ -
State Government Awards	1,327,079	1,159,773
Program Service Fees	199,782	237,368
Managed Care Providers	218,582	186,551
Contributions	7,089	5,376
Vending	6,754	6,033
Investment Income	34,562	52,863
Other	<u>2,122</u>	<u>1,448</u>
Total Support and Revenue	<u>2,085,921</u>	<u>1,649,412</u>
 EXPENSES		
Program Services:		
Intensive Residential	787,486	722,699
Transitional Living	570,907	536,205
Supportive Housing	132,772	135,639
Non-Residential Programs	<u>125,636</u>	<u>79,735</u>
Total Program Services	<u>1,616,801</u>	<u>1,474,278</u>
Management and General	<u>204,390</u>	<u>191,432</u>
Total Expenses	<u>1,821,191</u>	<u>1,665,710</u>
Change in Net Assets	264,730	(16,298)
Net Assets, beginning of year	<u>2,446,620</u>	<u>2,462,918</u>
Net Assets, end of year	<u><u>\$ 2,711,350</u></u>	<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, 2018

	Program Services					Support Services		
	Intensive Residential	Transitional Living	Supportive Housing	Non- Residential	Total Treatment Programs	Management and General	Total Support	Total All Funds
Salaries	\$ 410,823	\$ 275,027	\$ 32,157	\$ 79,574	\$ 797,581	\$ 25,282	\$ 25,282	\$ 822,863
Employee Benefits	44,571	30,061	3,682	8,240	86,554	2,880	2,880	89,434
Retirement	2,853	1,757	39	376	5,025	508	508	5,533
Payroll Taxes	36,751	25,072	2,732	7,415	71,970	2,095	2,095	74,065
	<u>494,998</u>	<u>331,917</u>	<u>38,610</u>	<u>95,605</u>	<u>961,130</u>	<u>30,765</u>	<u>30,765</u>	<u>991,895</u>
Professional Fees	148,601	98,479	1,078	10,518	258,676	74,131	74,131	332,807
Food	42,523	40,867	-	-	83,390	-	-	83,390
Supplies	17,646	17,016	-	15,751	50,413	1,024	1,024	51,437
Office Expense	2,605	2,441	-	-	5,046	-	-	5,046
Telephone	2,514	1,367	315	971	5,167	642	642	5,809
Occupancy	35,309	35,130	39,953	-	110,392	14,969	14,969	125,361
Equipment Rental and Maintenance	16,067	15,327	13,952	-	45,346	-	-	45,346
Insurance	15,584	11,056	1,769	2,303	30,712	1,271	1,271	31,983
Travel	3,976	3,976	-	-	7,952	-	-	7,952
Conferences and Meetings	4,771	4,772	-	-	9,543	-	-	9,543
Membership Dues	2,112	3,073	-	488	5,673	-	-	5,673
Miscellaneous	780	5,486	599	-	6,865	-	-	6,865
Depreciation	-	-	36,496	-	36,496	81,588	81,588	118,084
Total Expenses	<u>\$ 787,486</u>	<u>\$ 570,907</u>	<u>\$ 132,772</u>	<u>\$ 125,636</u>	<u>\$ 1,616,801</u>	<u>\$ 204,390</u>	<u>\$ 204,390</u>	<u>\$ 1,821,191</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

	Program Services					Support Services		
	Intensive Residential	Transitional Living	Supportive Housing	Non- Residential	Total Treatment Programs	Management and General	Total Support	Total All Funds
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
	<u>475,596</u>	<u>337,833</u>	<u>55,820</u>	<u>70,055</u>	<u>939,304</u>	<u>33,997</u>	<u>33,997</u>	<u>973,301</u>
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	<u>\$ 722,699</u>	<u>\$ 536,205</u>	<u>\$ 135,639</u>	<u>\$ 79,735</u>	<u>\$ 1,474,278</u>	<u>\$ 191,432</u>	<u>\$ 191,432</u>	<u>\$ 1,665,710</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, 2018 AND 2017

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2018</u>	<u>2017</u>
Change in Net Assets	\$ 264,730	\$ (16,298)
Depreciation	118,084	112,096
Realized (Gain) Loss on Investments	15,639	(4,104)
Unrealized (Gain) Loss on Investments	(22,834)	(25,430)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) Decrease in:		
Accounts Receivable	(22,745)	11,009
Grants Receivable	(96,569)	35,178
Prepaid Expenses and Other Current Assets	3,763	(6,474)
Increase (Decrease) in:		
Accounts Payable	18,726	(4,631)
Accrued Expenses	22,512	(17,334)
Net Cash Provided (Used) by Operating Activities	<u>301,306</u>	<u>84,012</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments (Purchased) Sold	(980)	45,946
Disposal (Purchase) of Property and Equipment	<u>(57,431)</u>	<u>(46,170)</u>
Net Cash Provided (Used) by Investing Activities	<u>(58,411)</u>	<u>(224)</u>
Net Increase (Decrease) in Cash	242,895	83,788
Cash, beginning of year	<u>214,623</u>	<u>130,835</u>
Cash, end of year	<u><u>\$ 457,518</u></u>	<u><u>\$ 214,623</u></u>

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

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 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 has no temporarily restricted net assets for the years ended June 30, 2018 and 2017.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (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 has no permanently restricted net assets for the years ended June 30, 2018 and 2017.

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:

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

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

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, 2015 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 78% and 70% of the Organization's total support and revenue as of June 30, 2018 and 2017, 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>2018</u>	<u>2017</u>
Buildings	\$ 497,480	\$ 497,480
Land Improvements	2,612,508	2,616,335
Vehicles	90,399	90,399
Furniture and Equipment	354,475	319,709
Work In Process	1,625	-
Fixed Assets, gross	<u>3,556,487</u>	<u>3,523,923</u>
Less: Accumulated Depreciation	<u>(2,031,299)</u>	<u>(1,938,082)</u>
Fixed Assets, net	<u><u>\$ 1,525,188</u></u>	<u><u>\$ 1,585,841</u></u>
Total Depreciation for the Year	<u><u>\$ 118,084</u></u>	<u><u>\$ 112,096</u></u>

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 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 was \$245,228 and \$191,438 for the years ended June 30, 2018 and 2017, 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 \$5,533 and \$8,142 for the years ended June 30, 2018 and 2017, respectively.

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. However, as of June 30, 2018, one cash account exceeded the insurance limit.

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, 2021. The lease has a fixed payment of \$221 per month.

Rent paid on the office equipment leases totaled \$3,593 and \$3,975 for the years ended June 30, 2018 and 2017, respectively.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

8. COMMITMENTS (Continued)

Future minimum rental payments required are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2019	3,732
2020	3,462
2021	2,210
Total	<u>\$ 9,404</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>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity Funds	\$ 327,272	\$ 417,428	\$ 206,315	\$ 293,256
Fixed Income	179,381	175,222	243,808	241,783
Alternative Investments	17,161	17,519	58,259	66,955
	<u>\$ 523,814</u>	<u>610,169</u>	<u>\$ 508,382</u>	<u>601,994</u>

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

	<u>2018</u>	<u>2017</u>
Interest Income	\$ 13,002	\$ 14,341
Dividend Income	14,365	8,988
Realized Gain (Loss)	(15,639)	4,104
Unrealized Gain (Loss)	22,834	25,430
Investment Income	<u>\$ 34,562</u>	<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, 2018 AND 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, 2018				
	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	\$ 417,428	\$ 417,428	\$ -	\$ -
Fixed Income	175,222	175,222	-	-
Alternative Investments	17,519	17,519	-	-
	<u>610,169</u>	<u>\$ 610,169</u>	<u>\$ -</u>	<u>\$ -</u>

Fair Value Measurements at June 30, 2017				
	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	\$ 293,256	\$ 293,256	\$ -	\$ -
Fixed Income	241,783	241,783	-	-
Alternative Investments	66,955	66,955	-	-
	<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.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

11. FAIR VALUE OF INVESTMENTS (Continued)

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, 2018 which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

SAMARITAN RECOVERY COMMUNITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018

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 Opioid State Targeted Response	93.788	DGA 55850		\$ 29,285
US Department of Health and Human Services through Tennessee Department of Mental Health & Substance Abuse Services	Adult Continuum of Care State Targeted Response	93.788	DGA 55356		242,666
US Department of Health and Human Services through Tennessee Department of Mental Health & Substance Abuse Services	Addictions Recovery Program State Targeted Response	93.788	DGA 55412		18,000
					\$ 289,951
Total Program 93.788					\$ 289,951
TOTAL FEDERAL AWARDS					\$ 289,951
<u>State Financial Assistance</u>					
Tennessee Department of Mental Health & Substance Abuse Services	Adult Continuum of Care Block Grant	N/A	DGA 53380		1,016,827
Tennessee Department of Mental Health & Substance Abuse Services	VIVITROL Court	N/A	341508		1,070
Tennessee Department of Mental Health & Substance Abuse Services	TN Dept of Correction Community Treatment Collaborative	N/A	330009		105,900
Tennessee Department of Mental Health & Substance Abuse Services	Alcohol and Drug Addiction Treatment	N/A	320275		105,330
Tennessee Department of Mental Health & Substance Abuse Services	Supervised Probation Offender Treatment	N/A	320294		79,952
Tennessee Department of Mental Health & Substance Abuse Services	Addictions Recovery Program	N/A	DGA 53381		18,000
					\$ 1,327,079
TOTAL STATE FINANCIAL ASSISTANCE					\$ 1,327,079
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE					\$ 1,617,030

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, 2018. 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, 2017

Federal Grantor/ Pass-Through Grantor	Program/Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
<u>State Financial Assistance</u>					
Tennessee Department of Mental Health & Substance Abuse Services	Adult Continuum of Care Block Grant	N/A	DGA 48972		897,734
Tennessee Department of Mental Health & Substance Abuse Services	TN Dept of Correction Community Treatment Collaborative	N/A	48973		97,433
Tennessee Department of Mental Health & Substance Abuse Services	Alcohol and Drug Addiction Treatment	N/A	48976		105,136
Tennessee Department of Mental Health & Substance Abuse Services	Supervised Probation Offender Treatment	N/A	49039		41,500
Tennessee Department of Mental Health & Substance Abuse Services	Addictions Recovery Program	N/A	DGA 48990		17,970
TOTAL STATE FINANCIAL ASSISTANCE					\$ 1,159,773
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE					\$ 1,159,773

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, 2017. 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, 2018 and 2017, 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 31, 2018.

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, 2018

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

There were no audit findings for the year ended June 30, 2017.