

SAMARITAN RECOVERY COMMUNITY, INC.

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

JUNE 30, 2022 AND 2021

SAMARITAN RECOVERY COMMUNITY, INC.

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INTRODUCTORY SECTION

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF OFFICIALS
JUNE 30, 2022

Board of Trustees

| | |
|------------------|---------------------|
| Todd Friedenber | Chairman |
| Walker Choppin | Vice-Chairman |
| Julie Smith | Treasurer/Secretary |
| Betty Benoit | Board Member |
| Mike Coode | Board Member |
| Kim Cooney | Board Member |
| Michael DeAgro | Board Member |
| Mona Lisa McGhee | Board Member |
| John Krenson | Board Member |

Executive Staff

| | |
|--------------|--------------------|
| Mark Lasko | Executive Director |
| Jim Phillips | President |
| Donna Best | Vice President |

FINANCIAL SECTION

**BELLENFANT**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Professional Accounting & Consulting Services

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Samaritan Recovery Community, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Samaritan Recovery Community, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Samaritan Recovery, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Samaritan Recovery Community Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Samaritan Recovery Community Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Samaritan Recovery Community Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Samaritan Recovery Community, Inc. as a whole. The introductory section and schedule of expenditures of federal awards and state financial assistance and related notes are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or any form of assurance on it. 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 schedule of expenditures of federal awards and state financial assistance has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance 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 September 21, 2022, 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 Samaritan Recovery Community Inc.'s 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
September 21, 2022

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

| CURRENT ASSETS | <u>2022</u> | <u>2021</u> |
|---|--------------------|--------------------|
| Cash and Cash Equivalents | \$ 945,700 | \$ 743,734 |
| Investments | 988,806 | 1,153,134 |
| Accounts Receivable | 127,342 | 72,542 |
| Grants Receivable | 196,820 | 141,384 |
| Prepaid Expenses and Other Current Assets | 49,441 | 6,583 |
| | <hr/> | <hr/> |
| Total Current Assets | 2,308,109 | 2,117,377 |
| | <hr/> | <hr/> |
| FIXED ASSETS | | |
| Fixed Assets, net of Accumulated Depreciation | 1,267,002 | 1,357,708 |
| | <hr/> | <hr/> |
| Total Assets | \$ 3,575,111 | \$ 3,475,085 |
| | <hr/> | <hr/> |

LIABILITIES AND NET ASSETS

| | | |
|---------------------------------------|--------------|--------------|
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 37,901 | \$ 19,199 |
| Accrued Expenses | 112,071 | 91,828 |
| Health and Human Services Loan | 44,867 | 44,867 |
| SBA PPP Loan Payable | - | 224,860 |
| | <hr/> | <hr/> |
| Total Current Liabilities | 194,839 | 380,754 |
| | <hr/> | <hr/> |
| NET ASSETS | | |
| Net Assets Without Donor Restrictions | 3,380,272 | 3,094,331 |
| | <hr/> | <hr/> |
| Total Net Assets | 3,380,272 | 3,094,331 |
| | <hr/> | <hr/> |
| Total Liabilities and Net Assets | \$ 3,575,111 | \$ 3,475,085 |
| | <hr/> | <hr/> |

See accompanying notes to financial statements.

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

| SUPPORT AND REVENUE | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-------------------------------|--|---|----------------------------|
| Federal Government Awards | \$ 621,881 | \$ - | \$ 621,881 |
| State Government Awards | 1,237,492 | - | 1,237,492 |
| Private Pay Insurance | 164,207 | - | 164,207 |
| Self Pay | 29,664 | - | 29,664 |
| Contributions | 11,842 | - | 11,842 |
| Vending | 2,896 | - | 2,896 |
| Rental Income | 416,891 | - | 416,891 |
| Investment Income | (138,246) | - | (138,246) |
| SBA PPP Loan Forgiveness | 224,860 | - | 224,860 |
| Other | 225 | - | 225 |
| | <u>225</u> | <u>-</u> | <u>225</u> |
| Total Support and Revenue | <u>\$ 2,571,712</u> | <u>\$ -</u> | <u>\$ 2,571,712</u> |
| EXPENSES | | | |
| Program Services | | | |
| Intensive Residential | \$ 1,145,369 | \$ - | \$ 1,145,369 |
| Transitional Living | 638,968 | - | 638,968 |
| Supportive Housing | 65,320 | - | 65,320 |
| Non-Residential Programs | 144,346 | - | 144,346 |
| | <u>1,994,003</u> | <u>-</u> | <u>1,994,003</u> |
| Total Program Services | <u>1,994,003</u> | <u>-</u> | <u>1,994,003</u> |
| Management and General | <u>291,768</u> | <u>-</u> | <u>291,768</u> |
| Total Expenses | <u>2,285,771</u> | <u>-</u> | <u>2,285,771</u> |
| Change in Net Assets | 285,941 | - | 285,941 |
| Net Assets, Beginning of Year | <u>3,094,331</u> | <u>-</u> | <u>3,094,331</u> |
| Net Assets, End of Year | <u><u>\$ 3,380,272</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 3,380,272</u></u> |

See accompanying notes to financial statements.

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

| SUPPORT AND REVENUE | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-------------------------------|--|---|----------------------------|
| Federal Government Awards | \$ 395,844 | \$ - | \$ 395,844 |
| State Government Awards | 1,148,296 | - | 1,148,296 |
| Private Pay Insurance | 159,035 | - | 159,035 |
| Self Pay | 42,905 | - | 42,905 |
| Contributions | 14,164 | - | 14,164 |
| Vending | 6,339 | - | 6,339 |
| Rental Income | 113,617 | - | 113,617 |
| Investment Income | 232,862 | - | 232,862 |
| SBA PPP Loan Forgiveness | 213,600 | - | 213,600 |
| Other | 5,262 | - | 5,262 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Support and Revenue | <u>\$ 2,331,924</u> | <u>\$ -</u> | <u>\$ 2,331,924</u> |
| EXPENSES | | | |
| Program Services | | | |
| Intensive Residential | \$ 944,845 | \$ - | \$ 944,845 |
| Transitional Living | 556,708 | - | 556,708 |
| Supportive Housing | 90,633 | - | 90,633 |
| Non-Residential Programs | 283,660 | - | 283,660 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Program Services | <u>1,875,846</u> | <u>-</u> | <u>1,875,846</u> |
| Management and General | <u>258,783</u> | <u>-</u> | <u>258,783</u> |
| Total Expenses | <u>2,134,629</u> | <u>-</u> | <u>2,134,629</u> |
| Change in Net Assets | 197,295 | - | 197,295 |
| Net Assets, Beginning of Year | <u>2,897,036</u> | <u>-</u> | <u>2,897,036</u> |
| Net Assets, End of Year | <u><u>\$ 3,094,331</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 3,094,331</u></u> |

See accompanying notes to financial statements.

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

| | Program Services | | | | | Supporting Services | | |
|-------------------------------------|----------------------------------|--------------------------------|-------------------------------|-----------------------------|---|-----------------------------------|--------------------------|----------------------------|
| | Intensive Residential | Transitional Living | Supportive Housing | Non- Residential | Total Treatment Programs | Management and General | Total Support | Total All Funds |
| Salaries | \$ 635,932 | \$ 272,507 | \$ 36,654 | \$ 65,528 | \$ 1,010,621 | \$ 36,402 | \$ 36,402 | \$ 1,047,023 |
| Employee Benefits | 104,746 | 45,213 | 6,084 | 11,334 | 167,377 | 5,942 | 5,942 | 173,319 |
| Retirement | 2,274 | 1,684 | 80 | 180 | 4,218 | 526 | 526 | 4,744 |
| Payroll Taxes | 57,756 | 24,036 | 3,119 | 6,026 | 90,937 | 3,001 | 3,001 | 93,938 |
| | 800,708 | 343,440 | 45,937 | 83,068 | 1,273,153 | 45,871 | 45,871 | 1,319,024 |
| Professional Fees | 148,493 | 103,566 | - | - | 252,059 | 108,288 | 108,288 | 360,347 |
| Food | 61,690 | 61,688 | - | - | 123,378 | - | - | 123,378 |
| Supplies | 32,351 | 32,378 | 6 | 55,561 | 120,296 | 1,136 | 1,136 | 121,432 |
| Office Expense | 5,203 | 7,577 | 2,831 | - | 15,611 | 80 | 80 | 15,691 |
| Telephone | 2,796 | 1,496 | 228 | 1,079 | 5,599 | 735 | 735 | 6,334 |
| Occupancy | 36,451 | 36,451 | 14,549 | - | 87,451 | 15,901 | 15,901 | 103,352 |
| Equipment Rental and Maintenance | 23,201 | 23,201 | 150 | - | 46,552 | - | - | 46,552 |
| Insurance | 20,236 | 13,356 | 1,619 | 4,047 | 39,258 | 1,230 | 1,230 | 40,488 |
| Travel | 4,744 | 4,744 | - | - | 9,488 | - | - | 9,488 |
| Dues and Subscriptions | 7,421 | 8,996 | - | 591 | 17,008 | - | - | 17,008 |
| Miscellaneous | 2,075 | 2,075 | - | - | 4,150 | 9 | 9 | 4,159 |
| Depreciation | - | - | - | - | - | 118,518 | 118,518 | 118,518 |
| Bad Debt | - | - | - | - | - | - | - | - |
| Total Expenses | <u>\$ 1,145,369</u> | <u>\$ 638,968</u> | <u>\$ 65,320</u> | <u>\$ 144,346</u> | <u>\$ 1,994,003</u> | <u>\$ 291,768</u> | <u>\$ 291,768</u> | <u>\$ 2,285,771</u> |

See accompanying notes to financial statements.

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

| | Program Services | | | | | Supporting Services | | |
|-------------------------------------|----------------------------------|--------------------------------|-------------------------------|-----------------------------|---|-----------------------------------|--------------------------|----------------------------|
| | Intensive Residential | Transitional Living | Supportive Housing | Non- Residential | Total Treatment Programs | Management and General | Total Support | Total All Funds |
| Salaries | \$ 535,415 | \$ 262,072 | \$ 33,777 | \$ 99,147 | \$ 930,411 | \$ 25,819 | \$ 25,819 | \$ 956,230 |
| Employee Benefits | 71,801 | 33,040 | 4,415 | 12,839 | 122,095 | 5,103 | 5,103 | 127,198 |
| Retirement | 1,825 | 1,534 | 72 | 219 | 3,650 | 727 | 727 | 4,377 |
| Payroll Taxes | 47,682 | 22,947 | 2,859 | 9,300 | 82,788 | 2,121 | 2,121 | 84,909 |
| | <u>656,723</u> | <u>319,593</u> | <u>41,123</u> | <u>121,505</u> | <u>1,138,944</u> | <u>33,770</u> | <u>33,770</u> | <u>1,172,714</u> |
| Professional Fees | 118,079 | 80,684 | - | - | 198,763 | 86,969 | 86,969 | 285,732 |
| Food | 45,650 | 45,659 | - | - | 91,309 | - | - | 91,309 |
| Supplies | 30,971 | 30,954 | 435 | 155,064 | 217,424 | 1,177 | 1,177 | 218,601 |
| Office Expense | 2,303 | 5,680 | 130 | 195 | 8,308 | 75 | 75 | 8,383 |
| Telephone | 2,609 | 1,412 | 329 | 1,004 | 5,354 | 672 | 672 | 6,026 |
| Occupancy | 36,454 | 36,453 | 44,695 | - | 117,602 | 14,264 | 14,264 | 131,866 |
| Equipment Rental and Maintenance | 16,611 | 16,615 | 2,481 | - | 35,707 | - | - | 35,707 |
| Insurance | 17,880 | 11,805 | 1,440 | 3,584 | 34,709 | 1,083 | 1,083 | 35,792 |
| Travel | 4,029 | 4,029 | - | - | 8,058 | - | - | 8,058 |
| Dues and Subscriptions | 2,301 | 3,714 | - | 500 | 6,515 | - | - | 6,515 |
| Miscellaneous | 110 | 110 | - | - | 220 | 361 | 361 | 581 |
| Depreciation | - | - | - | - | - | 120,412 | 120,412 | 120,412 |
| Bad Debt | 11,125 | - | - | 1,808 | 12,933 | - | - | 12,933 |
| Total Expenses | <u>\$ 944,845</u> | <u>\$ 556,708</u> | <u>\$ 90,633</u> | <u>\$ 283,660</u> | <u>\$ 1,875,846</u> | <u>\$ 258,783</u> | <u>\$ 258,783</u> | <u>\$ 2,134,629</u> |

See accompanying notes to financial statements.

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

| CASH FLOWS FROM OPERATING ACTIVITIES | <u>2022</u> | <u>2021</u> |
|--|--------------------------|--------------------------|
| Change in Net Assets | \$ 285,941 | \$ 197,295 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 118,518 | 120,412 |
| Realized/Unrealized (Gain) Loss on Investments | 195,366 | (176,274) |
| SBA PPP Loan Forgiveness | (224,860) | (213,600) |
| (Increase) Decrease in: | | |
| Accounts Receivable | (54,800) | (19,556) |
| Grants Receivable | (55,436) | (36,251) |
| Prepaid Expenses and Other Current Assets | (42,858) | 2,310 |
| Increase (Decrease) in: | | |
| Accounts Payable | 18,702 | (18,044) |
| Accrued Expenses | 20,243 | 5,571 |
| Total Adjustments | <u>(25,125)</u> | <u>(335,432)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>260,816</u> | <u>(138,137)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment Purchases | (31,038) | (25,780) |
| Purchase of Fixed Assets | <u>(27,812)</u> | <u>(20,619)</u> |
| Net Cash Provided (Used) by Investing Activities | <u>(58,850)</u> | <u>(46,399)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Health and Human Services Loan Issuance | - | 44,867 |
| SBA PPP Loan Payable | <u>-</u> | <u>224,860</u> |
| Net Cash Provided (Used) by Financing Activities | <u>-</u> | <u>269,727</u> |
| Net Increase (Decrease) in Cash | 201,966 | 85,191 |
| Cash and Cash Equivalents, Beginning of Year | <u>743,734</u> | <u>658,543</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 945,700</u></u> | <u><u>\$ 743,734</u></u> |

See accompanying notes to financial statements.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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 advanced 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 \$3,380,272 and \$3,094,331 of net assets without donor restrictions as of June 30, 2022 and 2021, respectively.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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, 2022 and 2021.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. There were no cash equivalents for the years ended June 30, 2022 and 2021.

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, 2022 and 2021 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Prepaid Expenses

Prepaid expenses consist of insurance premiums and professional fees paid in advance.

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 |

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

Grant income is recognized over the grant period in relation to the expenditures incurred and services provided, as outlined in the grant documents. Cash received in excess of grant expenditures to date is recorded as advanced revenue, and an account receivable is recorded when allowable expenditures exceed cash received.

Private pay insurance and self pay income are recognized at the time of service.

Advertising

Advertising is expensed as incurred.

Donated Services and Goods

Members of the Board of Trustees have provided substantial assistance by donation of time and services. The value of this contribution is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

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.

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.

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 June 30, 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

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, 2019 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 several federal grant contracts and multiple state grant contracts. This represents approximately 72% and 66% of the Organization's total support and revenue as of June 30, 2022 and 2021, 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>2022</u> | <u>2021</u> |
|-------------------------------------|-----------------------|-----------------------|
| Land | \$ 497,480 | \$ 497,480 |
| Buildings and Improvements | 2,720,969 | 2,720,969 |
| Vehicles | 90,399 | 90,399 |
| Furniture and Equipment | <u>440,872</u> | <u>413,060</u> |
| Fixed Assets, gross | 3,749,720 | 3,721,908 |
| Less: Accumulated Depreciation | <u>(2,482,718)</u> | <u>(2,364,200)</u> |
| Fixed Assets, net | <u>\$ 1,267,002</u> | <u>\$ 1,357,708</u> |
| Total Depreciation for the Year | <u>\$ 118,518</u> | <u>\$ 120,412</u> |

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

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 a renewal of the agreement that extends the term until December 1, 2025. The management fee is computed based on a percentage of monthly net revenues. The management fee is included in Professional Fees and was \$299,510 and \$249,302 for the years ended June 30, 2022 and 2021, 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 \$4,744 and \$4,377 for the years ended June 30, 2022 and 2021, respectively.

7. CONCENTRATION OF CREDIT RISK

The Organization maintains accounts at one commercial bank. As of June 30, 2022 and 2021, the cash accounts exceeded the Federal Deposit Insurance Corporation limit of \$250,000 by \$599,524 and \$432,507, respectively. However, management does not see this as a threat to the organization.

8. COMMITMENTS

The Organization has a 63 month lease for office equipment. The lease began on March 10, 2021 and will expire on June 10, 2026. The lease has a fixed payment of \$286 per month.

Rent paid on the office equipment leases totaled \$3,999 and \$3,465 for the years ended June 30, 2022 and 2021, respectively.

Future minimum rental payments required are as follows:

| <u>Year ended June 30,</u> | <u>Amount</u> |
|----------------------------|-------------------------|
| 2023 | 3,432 |
| 2024 | 3,432 |
| 2025 | 3,432 |
| 2026 | 3,432 |
| Total | <u><u>\$ 13,728</u></u> |

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

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:

| | 2022 | | 2021 | |
|-------------------------|-------------------|----------------|-------------------|------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Equity Funds | \$ 545,127 | \$ 682,415 | \$ 507,630 | \$ 796,642 |
| Fixed Income | 251,317 | 251,366 | 250,087 | 266,652 |
| Alternative Investments | 73,448 | 55,025 | 85,910 | 89,840 |
| | <u>\$ 869,892</u> | <u>988,806</u> | <u>\$ 843,627</u> | <u>1,153,134</u> |

10. 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, 2022 | | | |
|-------------------------|--|---|--|--|
| | Quoted Prices In Active Markets for Identical Assets Fair Value | Significant Other Observable Inputs (Level 1) | Significant Unobservable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Equity Funds | \$ 682,415 | \$ 682,415 | \$ - | \$ - |
| Fixed Income | 251,366 | 251,366 | - | - |
| Alternative Investments | 55,025 | 55,025 | - | - |
| | <u>988,806</u> | <u>\$ 988,806</u> | <u>\$ -</u> | <u>\$ -</u> |

| | Fair Value Measurements at June 30, 2021 | | | |
|-------------------------|--|---|--|--|
| | Quoted Prices In Active Markets for Identical Assets Fair Value | Significant Other Observable Inputs (Level 1) | Significant Unobservable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Equity Funds | \$ 796,642 | \$ 796,642 | \$ - | \$ - |
| Fixed Income | 266,652 | 266,652 | - | - |
| Alternative Investments | 89,840 | 89,840 | - | - |
| | <u>1,153,134</u> | <u>\$ 1,153,134</u> | <u>\$ -</u> | <u>\$ -</u> |

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

10. 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.

11. HEALTH AND HUMAN SERVICES LOAN

Management expected the Health and Human Services Loan to be forgiven in full by March 2022. However, the loan agency has delayed processing loan forgiveness. As of June 30, 2022, the loan remains unforgiven and is still treated as a current liability, since management now expects the loan to be forgiven during the year ended June 30, 2023.

12. SBA PPP 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 the first PPP loan for \$213,600 on April 25, 2020, and the loan was forgiven in full on January 21, 2021. The Organization obtained the second PPP Loan for \$224,860 on March 17, 2021, and the loan was forgiven in full on February 1, 2022.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

13. UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, the Organization has temporarily not been able to continue a portion of its activities. The extent to which these events will affect the amounts reported in future financial statements remains uncertain.

14. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------------|-------------------------|
| Cash and Cash Equivalents | \$ 945,700 | \$ 743,734 |
| Investments | 988,806 | 1,153,134 |
| Accounts Receivable | 127,342 | 72,542 |
| Grants Receivable | <u>196,820</u> | <u>141,384</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 2,258,668</u> | <u>\$ 2,110,794</u> |

There is an adequate amount of financial assets available as of June 30, 2022 and 2021. The Organization effectively manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 21, 2022 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, 2022

| Federal Grantor/ Pass-Through Grantor | Program/Cluster Name | Federal Assistance Listings 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 | State Opioid Response - Spoke | 93.788 | DGA 71976 | | \$ 238,198 |
| US Department of Health and Human Services through Tennessee Department of Mental Health & Substance Abuse Services | Tennessee Disaster Response Initiative Substance Abuse Services | 93.982 | DGA 70427 | | 23,545 |
| US Department of Health and Human Services through Tennessee Department of Mental Health & Substance Abuse Services | TN Covid-19 Behavioral Health Care Response | 93.665 | DGA 72565 | | 53,567 |
| US Department of Health and Human Services through Tennessee Department of Mental Health & Substance Abuse Services | Adult Continuum of Care Block Grant | 93.959 | DGA 69861 | | 306,571 |
| | | | | | |
| TOTAL FEDERAL AWARDS | | | | | \$ 621,881 |
| <u>State Financial Assistance</u> | | | | | |
| Tennessee Department of Mental Health & Substance Abuse Services | Alcohol and Drug Addiction Treatment | N/A | DGA 69858 | | 173,900 |
| Tennessee Department of Mental Health & Substance Abuse Services | TN Dept of Correction Community Treatment Collaborative | N/A | DGA 69864 | | 65,600 |
| Tennessee Department of Mental Health & Substance Abuse Services | Addictions Recovery Program | N/A | DGA 69860 | | 33,990 |
| Tennessee Department of Mental Health & Substance Abuse Services | Adult Continuum of Care Block Grant | 93.959 | DGA 69861 | | 964,002 |
| | | | | | |
| TOTAL STATE FINANCIAL ASSISTANCE | | | | | \$ 1,237,492 |
| | | | | | |
| TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE | | | | | \$ 1,859,373 |

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, 2022. The schedule is presented using the accrual basis of accounting.

Note 2 - Basis of Presentation

Indirect Cost Rate: Samaritan Recovery Community, Inc. has elected to use the 10-percent de minimis indirect cost rate.

SAMARITAN RECOVERY COMMUNITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2021

| Federal Grantor/ Pass-Through Grantor | Program/Cluster Name | Federal Assistance Listings 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 | State Opiod Response - Spoke | 93.788 | DGA 64279 | | \$ 361,466 |
| US Department of Health and Human Services through Tennessee Department of Mental Health & Substance Abuse Services | TN Covid-19 Behavioral Health Care Response | 93.665 | DGA 67189 | | 34,378 |
| TOTAL FEDERAL AWARDS | | | | | \$ 395,844 |
| <u>State Financial Assistance</u> | | | | | |
| Tennessee Department of Mental Health & Substance Abuse Services | Alcohol and Drug Addiction Treatment | N/A | DGA 65838 | | 41,560 |
| Tennessee Department of Mental Health & Substance Abuse Services | Supervised Probation Offender Treatment | N/A | DGA 65868 | | 34,930 |
| Tennessee Department of Mental Health & Substance Abuse Services | TN Dept of Correction Community Treatment Collaborative | N/A | DGA 65928 | | 38,229 |
| Tennessee Department of Mental Health & Substance Abuse Services | Criminal Justice Enhancement State | N/A | DGA 65838 | | 95,093 |
| Tennessee Department of Mental Health & Substance Abuse Services | Criminal Justice Enhancement Federal | N/A | DGA 64279 | | 89,985 |
| Tennessee Department of Mental Health & Substance Abuse Services | Addictions Recovery Program | N/A | DGA 65805 | | 24,978 |
| Tennessee Department of Mental Health & Substance Abuse Services | Adult Continuum of Care Block Grant | N/A | DGA 65804 | | 823,521 |
| TOTAL STATE FINANCIAL ASSISTANCE | | | | | \$ 1,148,296 |
| TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE | | | | | \$ 1,544,140 |

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, 2021. The schedule is presented using the accrual basis of accounting.

Note 2 - Basis of Presentation

Indirect Cost Rate: Samaritan Recovery Community, Inc. has elected to use the 10-percent de minimis indirect cost rate.

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 and Management
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, 2022, 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 September 21, 2022.

Report on 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) as a basis for designing 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.

Report on 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
September 21, 2022

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022

There were no audit findings for the year ended June 30, 2021.