

**SAMARITAN RECOVERY COMMUNITY, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS**

**FOR THE YEAR END JUNE 30, 2016**

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

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
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, 2016, and the related statement 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.

### **Auditors' 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 auditors' 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, 2016, 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 state awards and government contracts is presented for the purpose 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 September 16, 2016 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.

September 16, 2016

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**

**ASSETS**

**Current Assets:**

Cash	\$ 130,835
Investments	618,406
Accounts receivable	62,901
Grants receivable	72,370
Prepaid expenses and other	<u>6,246</u>

Total Current Assets 890,758

**Property and Equipment:**

Property and equipment, at cost, net of accumulated depreciation	<u>1,651,767</u>
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Total Assets \$ 2,542,525

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 7,054
Accrued expenses	<u>72,553</u>

Total Current Liabilities 79,607

**Net Assets**

Unrestricted	<u>2,462,918</u>
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Total Net Assets 2,462,918

Total Liabilities and Net Assets \$ 2,542,525

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

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue:</b>			
Government grants	\$ 897,784	\$ -	\$ 897,784
Government contracts	290,290	-	290,290
Program service fees	244,734	-	244,734
Managed care providers	108,848	-	108,848
Contributions	6,587	-	6,587
Vending	5,660	-	5,660
Investment income	14,861	-	14,861
Other	1,302	-	1,302
	<u>1,570,066</u>	<u>-</u>	<u>1,570,066</u>
 <b>Total Support and Revenue</b>			
	<u>1,570,066</u>	<u>-</u>	<u>1,570,066</u>
 <b>Expenses:</b>			
Program services:			
Intensive Residential	574,282	-	574,282
Transitional Living	495,929	-	495,929
Co-Occurring	158,025	-	158,025
Supportive Housing	131,145	-	131,145
Non-Residential Programs	77,628	-	77,628
Management and general	222,618	-	222,618
	<u>1,659,627</u>	<u>-</u>	<u>1,659,627</u>
 <b>Total expenses</b>			
	<u>1,659,627</u>	<u>-</u>	<u>1,659,627</u>
 Change in net assets	(89,561)	-	(89,561)
 Net assets - July 1, 2015	<u>2,552,479</u>	<u>-</u>	<u>2,552,479</u>
 Net assets - June 30, 2016	<u><u>\$2,462,918</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,462,918</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, 2016

	Program Services				Support Services			
	Intensive Residential	Transitional Living	Co-Occurring	Supportive Housing	Non-Residential	Total Treatment Programs	Management and General	Total Support
	\$	\$	\$	\$	\$	\$	\$	\$
Salaries	304,740	243,770	100,361	44,731	53,150	746,752	53,328	53,328
Employee benefits	36,667	29,061	12,004	5,389	5,960	89,081	6,417	6,417
Retirement	3,103	3,263	1,893	2,244	92	10,595	1,895	1,895
Payroll taxes	28,497	22,294	9,254	3,753	5,003	68,801	4,426	4,426
	373,007	298,388	123,512	56,117	64,205	915,229	66,066	66,066
Professional fees	77,251	73,309	30,771	1,391	6,277	188,999	60,449	60,449
Food	35,023	34,825	-	-	-	69,848	-	-
Supplies	14,895	14,983	-	437	2,451	32,766	-	-
Office Expense	2,158	2,158	-	105	126	4,547	820	820
Telephone	1,501	1,513	-	-	1,185	4,199	943	943
Occupancy	29,902	29,934	-	34,276	-	94,112	13,308	13,308
Equipment rental and maintenance	15,815	15,664	-	4,013	7	35,499	-	-
Insurance	11,473	8,746	3,742	1,648	1,163	26,772	2,009	2,009
Travel	3,690	3,691	-	-	-	7,381	-	-
Conferences and meetings	5,544	5,572	-	-	-	11,116	-	-
Membership dues	3,411	4,216	-	12	2,214	9,853	1,839	1,839
Miscellaneous	612	2,930	-	-	-	3,542	-	-
Depreciation	-	-	-	33,146	-	33,146	77,184	77,184
Total Expenses	\$ 574,282	\$ 495,929	\$ 158,025	\$ 131,145	\$ 77,628	\$ 1,437,009	\$ 222,618	\$ 222,618
								\$ 1,659,627

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, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (89,561)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	110,330
Realized gain on investments	(19,403)
Unrealized loss on investments	31,151
(Increase) decrease in:	
Grants receivable	(11,196)
Accounts receivable	(43,707)
Prepaid expenses and other current assets	6,064
Increase (decrease) in:	
Accounts payable	1,812
Accrued expenses	4,322
Net Cash Provided by Operating Activities	<u>(10,188)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investments sold	43,098
Investments purchased	(2,439)
Purchase of property and equipment	<u>(41,059)</u>
Net Cash Used by Investing Activities	<u>(400)</u>
Net Decrease in Cash	(10,588)
Cash - July 1, 2015	<u>141,423</u>
Cash -June 30, 2016	<u><u>\$ 130,835</u></u>

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



**SAMARITAN RECOVERY COMMUNITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016**

**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, 2016 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**2. FAIR VALUES 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.

**3. 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, 2012 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.

**4. 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 grants and contracts and the United Way of Metropolitan Nashville. A major reduction of funds from one of the grants or contracts, should this occur, would have a material effect on the programs and the financial position of the Organization.

**5. PROPERTY AND EQUIPMENT**

Land and improvements	\$ 497,480
Buildings	2,591,827
Vehicles	90,399
Furniture and equipment	300,203
	<hr/> 3,479,909
Less: Accumulated depreciation	(1,828,142)
	<hr/> <u>\$ 1,651,767</u>
 Depreciation for the year	 <u>\$ 110,330</u>

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**6. 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 \$188,649.

**7. 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 for the year under this plan was \$12,490.

**8. CONCENTRATION OF CREDIT RISK**

The Organization maintains accounts at one commercial bank. As of June 30, 2016, the Organizations deposits were fully insured under the Federal Deposit Insurance Corporation limit of \$250,000.

**9. CONCENTRATION**

The Organization receives support from the Tennessee Department of Mental Health and Developmental Disabilities under one grant agreement and four contracts. This represents approximately 74% of the Organization's total support and revenue.

**10. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 16, 2016 which is the date the financial statements were available to be issued.

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**11. COMMITMENTS**

The Organization has a 60 month lease for office equipment. The lease began on January 28, 2014 and will expire April 28, 2017. The lease has a fixed payment of \$221 per month.

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

Rent paid on the office equipment leases for the year ended June 30, 2015 totaled \$3,511

Future minimum rental payments required are as follows:

Year ended June 30,	Amount
2017	3,290
2018	1,080
2019	1,080
2020	810
Total	<u>\$ 6,260</u>

**12. 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, 2016.

	Cost	Fair Value
Municipal Bonds	\$ 57,162	\$ 57,643
Corporate Bonds	227,388	230,296
Equity Funds - ETFs	196,454	252,629
Mutual Funds - Balanced Funds	27,856	27,277
Other Fixed Income Investments	10,000	9,648
Alternative Investments	36,763	40,913
	<u>\$ 555,623</u>	<u>\$ 618,406</u>

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

Interest Income	\$ 15,312
Dividend Income	11,297
Realized gain	19,403
Unrealized loss	(31,151)
	<u>\$ 14,861</u>

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**13. 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, 2015 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	\$ 57,162	\$ 57,643	\$ -	\$ -
Corporate Bonds	227,388	230,296	-	-
Equity Funds - ETFs	196,454	252,629	-	-
Mutual Funds - Balanced Funds	27,856	27,277	-	-
Other Fixed Income Investments	10,000	9,648	-	-
Alternative Investments	36,763	40,913	-	-
	<u>\$ 555,623</u>	<u>\$ 618,406</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.

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**SCHEDULE OF EXPENDITURES OF GRANT AWARDS AND GOVERNMENT CONTRACTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Agency	Program Name	CFDA Number	Grant Period	Contract Number	Grant Receivable 6/30/2015	Receipts	Expenditures	Grant Receivable 6/30/2016
<u>State Awards:</u>								
State of Tennessee Department of Mental Health and Substance Abuse Services	Adult Continuum of Care Block Grant	N/A	7/1/2014 - 6/30/2015	DGA 41157_2014_2015_024	33,876	33,876	-	-
State of Tennessee Department of Mental Health and Substance Abuse Services	Adult Continuum of Care Block Grant	N/A	7/1/2015 - 6/30/2016	DGA 45367_2015-2016_023	844,102	844,102	897,784	53,682
Total State Awards					\$ 33,876	\$ 877,978	\$ 897,784	\$ 53,682
<u>Government Contracts</u>								
U.S. Department of Health and Human Services Pass Through:								
State of Tennessee Department of Mental Health and Substance Abuse Services	Addictions Recovery Program	93.959	7/1/2014 - 6/30/2015	DGA 41161_2014-2015_055	\$ 1,500	\$ 1,500	\$ -	\$ -
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	-	16,495	18,000	1,505
Total Pass Through Support					\$ 1,500	\$ 17,995	\$ 18,000	\$ 1,505

The accompanying schedule of expenditures of grant awards and government contracts summarizes the expenditures of the Organization under grants and contracts of the state government for the year ended June 30, 2016. This schedule is presented on the accrual basis of accounting.

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**SCHEDULE OF EXPENDITURES OF GRANT AWARDS AND GOVERNMENT CONTRACTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Agency	Program Name	CFDA Number	Grant Period	Contract Number	Grant Receivable 6/30/2015	Receipts	Expenditures	Grant Receivable 6/30/2016
<u>Government Contracts:</u>								
<u>State of Tennessee:</u>								
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	7/1/2014-6/30/2015	Edison # 40985	\$ 15,787	\$ 15,787	\$ -	\$ -
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	\$ -	\$ 110,736	\$ 119,976	\$ 9,240
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	7/1/2014-6/30/2015	Edison # 41092	5,925	5,925	-	-
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	7/1/2015-6/30/2016	Edison # 45422	-	63,983	63,983	-
State of Tennessee Department of Mental Health and Substance Abuse Services	Tennessee Department of Corrections Community Treatment Collaborative	N/A	7/1/2014-6/30/2015	Edison # 41164	4,086	4,086	-	-
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	-	70,897	78,840	7,943
Total State Funding					\$ 25,798	\$ 271,414	\$ 262,799	\$ 17,183
Total Government contracts and Awards					\$ 61,174	\$ 1,167,387	\$ 1,178,583	\$ 72,370



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
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, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes, and have issued our report thereon dated September 16, 2016.

**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.

September 16, 2016

**SAMARITAN RECOVERY COMMUNITY, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**PART I - SUMMARY OF AUDITORS' RESULTS**

1. Type of auditors' 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**

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, 2016**

There were no audit findings for the year ended June 30, 2015.