

SAMARITAN RECOVERY COMMUNITY, INC.

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

JUNE 30, 2023 AND 2022

SAMARITAN RECOVERY COMMUNITY, INC.

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INTRODUCTORY SECTION

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF OFFICIALS
JUNE 30, 2023

Board of Trustees

Todd Friedenber	Chairman
Walker Choppin	Vice-Chairman
Julie Smith	Treasurer/Secretary
Michael Coode	Board Member
Kimberly Cooney	Board Member
Michael DeAgro	Board Member
Peter Erickson	Board Member
Evan Holladay	Board Member
John Krenson	Board Member
Mona Lisa McGhee	Board Member
Ashley Randall	Board Member

Executive Staff

Mark Lasko	Executive Director
Jim Phillips	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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Samaritan Recovery Community, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, 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 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 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 Information

The introductory section is presented for purposes of additional analysis and is 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2023, 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 27, 2023

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

CURRENT ASSETS	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 1,987,153	\$ 945,700
Investments	1,138,720	988,806
Accounts Receivable	76,535	127,342
Grants Receivable	327,782	196,820
Prepaid Expenses and Other Current Assets	<u>8,068</u>	<u>49,441</u>
Total Current Assets	<u>3,538,258</u>	<u>2,308,109</u>
FIXED ASSETS		
Fixed Assets, net of Accumulated Depreciation	<u>1,348,993</u>	<u>1,267,002</u>
Total Assets	<u><u>\$ 4,887,251</u></u>	<u><u>\$ 3,575,111</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 25,647	\$ 37,901
Accrued Expenses	122,771	112,071
Health and Human Services Loan	44,867	44,867
Due to Developer	<u>627,107</u>	<u>-</u>
Total Current Liabilities	<u>820,392</u>	<u>194,839</u>
NET ASSETS		
Net Assets Without Donor Restrictions	<u>4,066,859</u>	<u>3,380,272</u>
Total Net Assets	<u>4,066,859</u>	<u>3,380,272</u>
Total Liabilities and Net Assets	<u><u>\$ 4,887,251</u></u>	<u><u>\$ 3,575,111</u></u>

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

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

SUPPORT AND REVENUE	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Federal Government Awards	\$ 221,036	\$ -	\$ 221,036
State Government Awards	2,470,739	-	2,470,739
Local Government Awards	287,107	-	287,107
Private Pay Insurance	284,313	-	284,313
Self Pay	37,617	-	37,617
Contributions	410,045	-	410,045
Vending	4,204	-	4,204
Rental Income	412,500	-	412,500
Investment Income	108,861	-	108,861
SBA PPP Loan Forgiveness	-	-	-
Other	270	-	270
	<u>4,236,692</u>	<u>-</u>	<u>4,236,692</u>
Total Support and Revenue	<u>4,236,692</u>	<u>-</u>	<u>4,236,692</u>
EXPENSES			
Program Services			
Intensive Residential	2,180,279	-	2,180,279
Transitional Living	804,472	-	804,472
Supportive Housing	10,986	-	10,986
Non-Residential Programs	69,960	-	69,960
	<u>3,065,697</u>	<u>-</u>	<u>3,065,697</u>
Total Program Services	<u>3,065,697</u>	<u>-</u>	<u>3,065,697</u>
Management and General	484,408	-	484,408
	<u>484,408</u>	<u>-</u>	<u>484,408</u>
Total Expenses	<u>3,550,105</u>	<u>-</u>	<u>3,550,105</u>
Change in Net Assets	686,587	-	686,587
Net Assets, Beginning of Year	<u>3,380,272</u>	<u>-</u>	<u>3,380,272</u>
Net Assets, End of Year	<u>\$ 4,066,859</u>	<u>\$ -</u>	<u>\$ 4,066,859</u>

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

SAMARITAN RECOVERY COMMUNITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 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>2,571,712</u>	<u>-</u>	<u>2,571,712</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	291,768	-	291,768
	<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>\$ 3,380,272</u>	<u>\$ -</u>	<u>\$ 3,380,272</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, 2023

	Program Services					Supporting Services		
	Intensive Residential	Transitional Living	Supportive Housing	Non- Residential	Total Treatment Programs	Management and General	Total Support	Total All Funds
Salaries	\$ 834,691	\$ 364,927	\$ 7,419	\$ 43,353	\$ 1,250,390	\$ 123,006	\$ 123,006	\$ 1,373,396
Employee Benefits	122,746	55,246	1,477	6,621	186,090	20,268	20,268	206,358
Retirement	1,374	1,220	87	90	2,771	908	908	3,679
Payroll Taxes	75,585	30,790	581	4,038	110,994	10,033	10,033	121,027
	<u>1,034,396</u>	<u>452,183</u>	<u>9,564</u>	<u>54,102</u>	<u>1,550,245</u>	<u>154,215</u>	<u>154,215</u>	<u>1,704,460</u>
Professional Fees	166,705	116,851	-	-	283,556	119,258	119,258	402,814
Construction - Grants	737,107	-	-	-	737,107	-	-	737,107
Food	81,758	81,748	-	-	163,506	-	-	163,506
Supplies	56,316	56,261	-	10,111	122,688	1,856	1,856	124,544
Office Expense	4,649	8,184	-	-	12,833	170	170	13,003
Telephone	2,960	1,604	-	1,187	5,751	848	848	6,599
Occupancy	39,858	39,858	-	-	79,716	17,435	17,435	97,151
Equipment Rental and Maintenance	27,471	22,970	-	-	50,441	-	-	50,441
Insurance	17,771	11,729	1,422	3,554	34,476	1,080	1,080	35,556
Travel	6,120	6,161	-	-	12,281	18,178	18,178	30,459
Dues and Subscriptions	4,270	6,025	-	1,006	11,301	2,216	2,216	13,517
Miscellaneous	898	898	-	-	1,796	1,004	1,004	2,800
Depreciation	-	-	-	-	-	99,554	99,554	99,554
Bad Debt	-	-	-	-	-	68,594	68,594	68,594
Total Expenses	<u>\$ 2,180,279</u>	<u>\$ 804,472</u>	<u>\$ 10,986</u>	<u>\$ 69,960</u>	<u>\$ 3,065,697</u>	<u>\$ 484,408</u>	<u>\$ 484,408</u>	<u>\$ 3,550,105</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, 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>

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, 2023 AND 2022

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2023</u>	<u>2022</u>
Change in Net Assets	\$ 686,587	\$ 285,941
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	99,554	118,518
Realized/Unrealized (Gain) Loss on Investments	70,470	195,366
SBA PPP Loan Forgiveness	-	(224,860)
(Increase) Decrease in:		
Accounts Receivable	50,807	(54,800)
Grants Receivable	(130,962)	(55,436)
Prepaid Expenses and Other Current Assets	41,373	(42,858)
Increase (Decrease) in:		
Accounts Payable	(12,254)	18,702
Accrued Expenses	<u>10,700</u>	<u>20,243</u>
Net Cash Provided (Used) by Operating Activities	<u>816,275</u>	<u>260,816</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Purchases	(220,384)	(31,038)
Purchase of Fixed Assets	<u>(181,545)</u>	<u>(27,812)</u>
Net Cash Provided (Used) by Investing Activities	<u>(401,929)</u>	<u>(58,850)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Due to Developer	<u>627,107</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>627,107</u>	<u>-</u>
Net Increase (Decrease) in Cash	1,041,453	201,966
Cash and Cash Equivalents, Beginning of Year	<u>945,700</u>	<u>743,734</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,987,153</u></u>	<u><u>\$ 945,700</u></u>

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

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 \$4,066,859 and \$3,380,272 of net assets without donor restrictions as of June 30, 2023 and 2022, respectively.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

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, 2023 and 2022.

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, 2023 and 2022.

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, 2023 and 2022 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, 2023 AND 2022

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

Expenses that can be directly attributed to a particular function are charged to that function. Accordingly, certain costs have been categorized based on specific identification of costs incurred or allocated as determined by management.

<u>Expense</u>	<u>Method of Allocation</u>
Payroll and related expenses	Time and Effort
Depreciation	Square Footage
Administrative Expenses	Time and Effort
Insurance	Policy Coverage

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards

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 are classified as either finance or operating. This distinction is relevant for the pattern of expense recognition in the income statement. The Organization adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

2. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 1,987,153	\$ 945,700
Investments	1,138,720	988,806
Accounts Receivable	76,535	127,342
Grants Receivable	<u>327,782</u>	<u>196,820</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,530,190</u>	<u>\$ 2,258,668</u>

There is an adequate amount of financial assets available as of June 30, 2023 and 2022. The Organization effectively manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date.

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 64% and 72% of the Organization's total support and revenue as of June 30, 2023 and 2022, 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.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

4. FIXED ASSETS

The components of fixed assets are categorized as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 497,480	\$ 497,480
Buildings and Improvements	2,728,469	2,720,969
Vehicles	90,399	90,399
Furniture and Equipment	614,917	440,872
Fixed Assets, gross	3,931,265	3,749,720
Less: Accumulated Depreciation	<u>(2,582,272)</u>	<u>(2,482,718)</u>
Fixed Assets, net	<u>\$ 1,348,993</u>	<u>\$ 1,267,002</u>
 Total Depreciation for the Year	 <u>\$ 99,554</u>	 <u>\$ 118,518</u>

5. MANAGEMENT AGREEMENT

The Organization entered into a management agreement with XMI Capital in December of 2015 for the management of the Organization. In December of 2020, 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 \$332,368 and \$299,510 for the years ended June 30, 2023 and 2022, 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 \$3,679 and \$4,744 for the years ended June 30, 2023 and 2022, respectively.

7. CONCENTRATION OF CREDIT RISK

The Organization maintains accounts at two commercial banks. As of June 30, 2023 and 2022, the cash accounts exceeded the Federal Deposit Insurance Corporation limit of \$250,000 by \$1,479,340 and \$599,524, respectively. However, management does not see this as a threat to the Organization.

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

8. COMMITMENTS

The Organization has elected not to apply the provisions of Accounting Standards Codification (ASC) 842, Leases, to the following leases as the lease obligations do not meet the recognition criteria outlined in ASC 842 due to not reaching the Organization's lease capitalization threshold.

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 \$3,979 and \$3,999 for the years ended June 30, 2023 and 2022, respectively.

Future minimum rental payments required are as follows:

Year ended June 30,	Amount
2024	3,432
2025	3,432
2026	3,432
Total	<u>\$ 10,296</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:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Equity Funds	\$ 601,945	\$ 802,550	\$ 545,127	\$ 682,415
Fixed Income	330,532	326,994	251,317	251,366
Alternative Investments	17,097	9,176	73,448	55,025
	<u>\$ 949,574</u>	<u>1,138,720</u>	<u>\$ 869,892</u>	<u>988,806</u>

10. FAIR VALUE OF INVESTMENTS

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

SAMARITAN RECOVERY COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

10. FAIR VALUE OF INVESTMENTS (Continued)

Fair Value Measurements at June 30, 2023				
	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	\$ 802,550	\$ 802,550	\$ -	\$ -
Fixed Income	326,994	326,994	-	-
Alternative Investments	9,176	9,176	-	-
	<u>1,138,720</u>	<u>\$ 1,138,720</u>	<u>\$ -</u>	<u>\$ -</u>

Fair Value Measurements at June 30, 2022				
	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	\$ 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>

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.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

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, 2023, 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, 2024.

12. DUE TO DEVELOPER

The Organization receives funds allocated for the development, construction, and rehabilitation of affordable homes through various grant programs. These funds are designated for the specific purpose of financing the construction and development of affordable housing units, and are subject to compliance with the terms and conditions of the respective grant agreements. The Due to Developer liability represents the outstanding amount due to the developer for expenses related to the development of affordable homes. As of June 30, 2023 and 2022, the outstanding balance of this liability was \$627,107 and \$0, respectively.

13. 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.

14. 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, 2020 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.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 27, 2023 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, 2023

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 78005		\$ 174,610
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		46,426
TOTAL FEDERAL AWARDS					\$ 221,036
<u>State Financial Assistance</u>					
Tennessee Department of Mental Health & Substance Abuse Services	Alcohol and Drug Addiction Treatment	N/A	DGA 74082		283,882
Tennessee Department of Mental Health & Substance Abuse Services	TN Dept of Correction Community Treatment Collaborative	N/A	DGA 74079		75,882
Tennessee Department of Mental Health & Substance Abuse Services	Creating Homes Initiative	N/A	DGA 94753		450,000
Tennessee Department of Mental Health & Substance Abuse Services	Addictions Recovery Program	N/A	DGA 74140		95,820
Tennessee Department of Mental Health & Substance Abuse Services	Adult Continuum of Care Block Grant	N/A	DGA 74098		1,565,155
TOTAL STATE FINANCIAL ASSISTANCE					\$ 2,470,739
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE					\$ 2,691,775

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, 2023. 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, 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	N/A	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.

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**

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 statements of financial position as of June 30, 2023 and 2022, 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 September 27, 2023.

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 27, 2023

SAMARITAN RECOVERY COMMUNITY, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023

There were no audit findings for the year ended June 30, 2022.