

SAN ANTONIO LIFETIME RECOVERY, INC.  
DBA LIFETIME RECOVERY

AUDITED FINANCIAL STATEMENTS,  
SUPPLEMENTAL SCHEDULES,  
AND SINGLE AUDIT REPORTS

AUGUST 31, 2017 AND 2016

SAN ANTONIO LIFETIME RECOVERY, INC.  
dba Lifetime Recovery

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AUDITED FINANCIAL STATEMENTS

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## Independent Auditor's Report

Board of Directors  
San Antonio Lifetime Recovery, Inc.  
dba Lifetime Recovery  
San Antonio, Texas

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery (the Organization), which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits 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 I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery, as of August 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 in accordance with auditing standards generally accepted in the United States of America. In my 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*, I have also issued my report dated January 23, 2018, on my consideration of the San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery internal control over financial reporting and on my 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 my 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 San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery'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 the San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery internal control over financial reporting and compliance.

San Antonio, Texas  
January 23, 2018



SAN ANTONIO LIFETIME RECOVERY, INC.  
 dba LIFETIME RECOVERY  
 STATEMENTS OF FINANCIAL POSITION  
 AUGUST 31, 2017 AND 2016

<u>ASSETS</u>		
<u>ASSETS</u>	2017	2016
Current Assets:		
Cash and Cash Equivalents	\$ 783,081	\$ 603,168
Accounts Receivable:		
Government Contracts	321,259	270,745
Current Portion of Pledges and Contributions	120,000	221,500
Third Party Payers	11,791	10,701
Prepaid Expenses	31,735	20,290
Total Current Assets	1,267,866	1,126,404
Other Assets:		
Non-Current Portion of Pledges and Contributions	120,000	240,000
Deposits	7,107	7,107
Total Other Assets	127,107	247,107
Fixed Assets:		
Building Improvements	478,145	478,145
Vehicles	58,812	58,812
Computer Equipment & Software	157,400	128,736
Furniture and Fixtures	139,246	128,379
Less: Accumulated Depreciation and Amortization	(584,106)	(467,011)
Net - Property, Plant, and Equipment	249,497	327,061
Construction in Progress	520,135	296,017
Total Fixed Assets	769,632	623,078
 TOTAL ASSETS	 \$ 2,164,605	 \$ 1,996,589
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 70,488	\$ 52,338
Accrued Expenses	192,852	138,329
Deferred Revenues	4,500	3,425
Current Maturities of Long Term Debt	9,376	9,001
Total Current Liabilities	277,216	203,093
Other Liabilities:		
Long-Term Debt - Less Current Maturities	25,617	35,717
TOTAL LIABILITIES	302,833	238,810
<u>NET ASSETS</u>		
Unrestricted Net Assets:		
Board Designated - Prudent Reserve	200,000	200,000
Board Designated - Campus Expansion	50,000	50,000
Undesignated	1,078,645	750,296
Total Unrestricted Net Assets	1,328,645	1,000,296
Temporarily Restricted Net Assets	533,127	757,483
Total Net Assets	1,861,772	1,757,779
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,164,605	 \$ 1,996,589

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

SAN ANTONIO LIFETIME RECOVERY, INC.  
 dba LIFETIME RECOVERY  
 STATEMENT OF ACTIVITIES  
 YEAR ENDED AUGUST 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL 2017</u>
<u>REVENUE AND SUPPORT</u>			
United Way of San Antonio	\$ 294,306	\$ -	\$ 294,306
Texas Department of State Health Services	2,100,763	-	2,100,763
Department of Family Protective Services	219,506	-	219,506
Drug Court	403,267	-	403,267
US Federal Probation and Pretrial	599,352	-	599,352
Medicaid	47,462	-	47,462
Aids Coalition	151,350	-	151,350
Private Pay Fees	16,875	-	16,875
Program - Co-payments	72,655	-	72,655
Special Events, net of expenses of \$16,753	55,203	-	55,203
Grant Income	303,098	4,940	308,038
Contributions	53,080	-	53,080
Miscellaneous	1,498	-	1,498
In-kind Contributions	157,716	-	157,716
Net Assets Released From Restrictions	229,296	(229,296)	-
TOTAL REVENUE AND SUPPORT	<u>4,705,427</u>	<u>(224,356)</u>	<u>4,481,071</u>
<u>EXPENSES</u>			
Program Services	3,951,205	-	3,951,205
General and Administrative Services	277,249	-	277,249
Fundraising	148,624	-	148,624
TOTAL EXPENSES	<u>4,377,078</u>	<u>-</u>	<u>4,377,078</u>
CHANGE IN NET ASSETS	328,349	(224,356)	103,993
NET ASSETS AT BEGINNING OF THE YEAR	<u>1,000,296</u>	<u>757,483</u>	<u>1,757,779</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,328,645</u>	<u>\$ 533,127</u>	<u>\$ 1,861,772</u>

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

SAN ANTONIO LIFETIME RECOVERY, INC.  
dba LIFETIME RECOVERY  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL 2016</u>
<u>REVENUE AND SUPPORT</u>			
United Way of San Antonio	\$ 299,088	\$ -	\$ 299,088
Texas Department of State Health Services	2,010,313	-	2,010,313
Department of Family Protective Services	68,708	-	68,708
Drug Court	262,968	-	262,968
US Federal Probation and Pretrial	793,191	-	793,191
Medicaid	56,748	-	56,748
Aids Coalition	73,660	-	73,660
Private Pay Fees	29,799	-	29,799
Program - Co-payments	22,372	-	22,372
Grant Income	239,550	353,500	593,050
Contributions	66,460	-	66,460
Miscellaneous	8,940	-	8,940
In-kind Contributions	160,223	-	160,223
Gain (Loss) on Disposal/Sale of Fixed Assets	(6,226)	-	(6,226)
Net Assets Released From Restrictions	250,137	(250,137)	-
TOTAL REVENUE AND SUPPORT	<u>4,335,931</u>	<u>103,363</u>	<u>4,439,294</u>
<u>EXPENSES</u>			
Program Services	3,842,930	-	3,842,930
General and Administrative Services	354,132	-	354,132
Fundraising	83,892	-	83,892
TOTAL EXPENSES	<u>4,280,954</u>	<u>-</u>	<u>4,280,954</u>
CHANGE IN NET ASSETS	54,977	103,363	158,340
NET ASSETS AT BEGINNING OF THE YEAR	<u>945,319</u>	<u>654,120</u>	<u>1,599,439</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,000,296</u>	<u>\$ 757,483</u>	<u>\$ 1,757,779</u>

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

SAN ANTONIO LIFETIME RECOVERY, INC.  
dba LIFETIME RECOVERY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 103,993	\$ 158,340
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	117,496	87,464
Loss on Disposal of Fixed Assets	-	6,226
Changes in:		
Accounts Receivable:		
Government Contracts	(50,514)	125,075
Third Party Payers	(1,090)	8,033
Pledges and Contributions	221,500	18,500
Prepaid Expenses	(11,445)	(18,960)
Accounts Payable	18,150	(33,548)
Accrued Expenses	54,523	(30,770)
Deferred Revenues	1,075	325
Net Cash Provided By Operating Activities	453,688	320,685
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(39,931)	(110,371)
Construction in Progress	(224,119)	(250,137)
Proceeds From the Sale of Fixed Assets	-	2,300
Net Cash Used By Investing Activities	(264,050)	(358,208)
Cash Flows from Financing Activities:		
Issuance of Long-Term Debt	-	46,668
Principal Payments on Long-Term Debt	(9,725)	(1,950)
Net Cash Provided (Used) By Financing Activities	(9,725)	44,718
Net Increase in Cash	179,913	7,195
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	603,168	595,973
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 783,081	\$ 603,168
Supplemental Data		
Interest Paid	\$ 1,232	\$ 758

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

SAN ANTONIO LIFETIME RECOVERY, INC.  
dba LIFETIME RECOVERY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016

NOTE 1 - NATURE OF ORGANIZATION

San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery (the Organization) is a nonprofit organization located in San Antonio, Texas that was established in 1963. The Organization provides rehabilitation services to chemically dependent individuals in San Antonio, Texas and the surrounding Bexar County area. The organization is licensed for 94 beds in its residential treatment facility and also provides counseling services at its outpatient treatment location.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements in accordance with the industry audit guide, *Not-for-Profit Organizations*. Accordingly, the financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three (3) classes of net assets - unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of presentation of the statements of financial position and the statements of cash flows highly liquid investments with maturities of less than three months are considered to be cash equivalents.

Accounts Receivable

Accounts Receivable - Government Contracts, represents balances due from grantors for amounts billed under the terms of fee-for-service contracts. The Organization does not record an allowance for uncollectible accounts against the accounts receivable – government contracts because the receivables are considered to be 100% collectible.

SAN ANTONIO LIFETIME RECOVERY, INC.  
dba LIFETIME RECOVERY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable (Continued)

Accounts Receivable – Grants and Contributions, represents balances due from contributors and grantors who have promised donations to the Organization. The Organization uses the allowance method for estimating doubtful accounts when necessary, as required by GAAP. However, an allowance for doubtful accounts has not been recorded in the accompanying financial statements because management expects that receivables will all be paid in full.

Revenue Recognition

Grants and contributions are recognized as revenue when they are received or unconditionally pledged.

The Organization reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 as net assets released from restrictions in the accompanying statements of activities.

Contributions of services are recognized as revenue when received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Organization has a rent-free lease on real property that it uses for its residential treatment facility on Southton Road. Management has determined that the fair market value of this in-kind contribution to be \$85,000 and \$79,572 for the fiscal years 2017 and 2016. In 2017 and 2016, the Organization also received in-kind professional services with fair market values of \$72,216 and \$75,601, respectively. For 2017 and 2016, \$500 and \$2,050 worth of supplies was donated and in 2016, a \$3,000 in-kind contribution was received as a reduction to the purchase price of a vehicle. The above in-kind contributions have been reported as unrestricted revenue in the accompanying statements of activities, with an off-setting entry to program expenses or as a reduction in the purchase price of a vehicle.

Government Contract Revenue Recognition

Contracts that are entered into by the Organization are recognized as revenue when revenue is earned in accordance with the terms of the contracts.

SAN ANTONIO LIFETIME RECOVERY, INC.  
 dba LIFETIME RECOVERY  
 NOTES TO FINANCIAL STATEMENTS  
 AUGUST 31, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

Fixed assets are stated at cost, if purchased, or fair value at time of donation, if donated. Depreciation and amortization are calculated on the straight-line method based on the following estimated useful lives - building improvements, 5 to 20 years; vehicles, 3 years; computer equipment, 3 to 5 years; equipment under capital lease, 3 to 5 years; and furniture and fixtures – 5 to 10 years. The Organization follows a capitalization policy for fixed assets whose cost or fair value at acquisition is \$1,000 or more.

At August 31, 2017 and 2016 fixed assets consist of the following:

	2017	2016
Building Improvements	\$ 478,145	\$478,145
Vehicles	58,812	58,812
Computer Software/Equipment	157,400	128,736
Furniture and Fixtures	139,246	128,379
	\$ 833,603	\$794,072
 Less: Accumulated Depreciation and Amortization	 (584,106)	 (467,011)
 Construction in Progress	 520,135	 296,017
 Total Fixed Assets	 \$ 769,632	 \$623,078

Impairment of Long-Lived Assets

The Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing the assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. The Organization did not recognize an impairment loss during the years ended August 31, 2017 or 2016.

SAN ANTONIO LIFETIME RECOVERY, INC.  
dba LIFETIME RECOVERY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Income Taxes

The Organization is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code, and is not a private foundation as defined by Section 509 (a)(1) of the Code. The Organization adapted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Tax* (now codified as ASC 740-10), the implementation of which has no effect on the Organization's financial statements. The organization does not believe it is exposed to any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits in the accompanying financial statements. The Organization has filed all of its required Forms 990, however the tax years 2014 through 2016 remain open by the taxing jurisdictions to which the Organization is subject, and these periods have not been extended beyond the applicable statute of limitations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited.

Local Match Funds

The Texas Department of State Health Services program requires the Organization to contribute an amount equal to at least 5% of its funded contract expenses in matching funds or in-kind contributions from sources eligible to be used for matching purposes. Matching funds are generated from in-kind rental contributions and other local sources of revenue which are recorded as support in the accompanying statement of activities.

SAN ANTONIO LIFETIME RECOVERY, INC.  
 dba LIFETIME RECOVERY  
 NOTES TO FINANCIAL STATEMENTS  
 AUGUST 31, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Vacation leave may be accrued up to the maximum amount of 240 hours for employees with more than 5 years of service and 180 hours for employees with less than 5 years of service. Accrued vacation leave at August 31, 2017 and 2016 amounted to \$102,697 and \$83,206, respectively.

Accrued Wages Payable

The Organization's policy is for personnel to work one-half month, then one-half month later they will be compensated for that time. Based on this policy, wages payable were accrued at August 31, 2017 and 2016 in the amounts of \$39,905 and \$54,980 respectively.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. The accompanying statements of financial position do not report any liabilities for loss contingencies.

NOTE 3 – ACCOUNTS RECEIVABLE – PLEDGES AND CONTRIBUTIONS

In the fiscal years ending August 31, 2017 and 2016, the Organization received pledges intended to provide support for its current capital expansion project, collections of which will subsequently extend over multiple successive years. Pledges receivable are recognized when the donor makes a promise to give to the Organization. No discount to present value has been recorded on the pledges due to the insignificance of the discount involved. Future payments will be received as follows:

	2017	2016
Receivable in Less Than One Year	\$ 120,000	\$ 221,500
Receivable in One to Five Years	120,000	240,000
	\$ 240,000	\$ 461,500

SAN ANTONIO LIFETIME RECOVERY, INC.  
 dba LIFETIME RECOVERY  
 NOTES TO FINANCIAL STATEMENTS  
 AUGUST 31, 2017 AND 2016

NOTE 4 – LONG-TERM DEBT

Long-term debt consists of the following:

Collateral	Monthly Installment	Fixed Interest Rate	Payable Through	August 31, 2017
Note Payable to Amegy Bank for Vehicle - Secured	\$ 477	3.740%	2021	\$ 17,913
Note Payable to Amegy Bank for Vehicle - Secured	\$ 400	3.740%	2021	<u>17,080</u>
Less Current Maturities				<u>(9,376)</u>
Non-Current Portion				<u><u>\$ 25,617</u></u>

The Organization has an open line of credit with a local financial institution in the amount of \$200,000. As of August 31, 2017, no amount had been drawn on the line of credit.

NOTE 5- NET ASSETS

Unrestricted - Unrestricted net assets are resources that are expendable at the discretion of the Organization for the performance of its service and are not otherwise limited by donor restrictions.

Beginning in fiscal year 2012, the Board of Directors set aside funds in a prudent reserve account for the purpose of providing assistance in the case of an emergency situation or other purposes which may be deemed necessary by the Board. Funds cannot be withdrawn for any purpose without prior approval from the Board of Directors. The balance of the board designated prudent reserve fund was \$200,000 as of August 31, 2017 and 2016. In addition for 2017 and 2016, the Board of Directors set aside an additional \$50,000 designated for the capital expansion project. The total board designated funds as of August 31, 2017 and 2016 was \$250,000.

Temporarily Restricted - Temporarily restricted net assets represent those amounts that are donor restricted with respect to purpose or time. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are

SAN ANTONIO LIFETIME RECOVERY, INC.  
 dba LIFETIME RECOVERY  
 NOTES TO FINANCIAL STATEMENTS  
 AUGUST 31, 2017 AND 2016

NOTE 5- NET ASSETS (Continued)

reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization has no permanently restricted net assets.

At August 31, 2017 and 2016, temporarily restricted net assets are available for the following purposes:

	2017	2016
Capital Expansion	\$ 293,127	\$ 295,983
Time Restricted	240,000	461,500
	\$ 533,127	\$ 757,483

NOTE 6- NET ASSETS RELEASED FROM RESTRICTIONS

The following net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purpose of the original donation:

	2017	2016
Capital Expansion	\$ 227,796	\$ 250,137
Time Restricted	1,500	-
	\$ 229,296	\$ 250,137

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at a financial institution located in San Antonio, Texas. The accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At August 31, 2017 and 2016, the Organization exceeded the FDIC insured limit by \$553,282 and \$369,160, respectively.

NOTE 8 - SUMMARY OF REVENUE FUNDING

The Organization is funded by various Federal, State and County governmental social service agencies, enabling the organization to provide rehabilitation services to chemically dependent individuals. Contracts with these agencies are generally for one year and are based on stipulated rates for each day or counseling session for which a service is provided. Approximately 77% (74% in 2016) of the Organization's cash

SAN ANTONIO LIFETIME RECOVERY, INC.  
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 NOTES TO FINANCIAL STATEMENTS  
 AUGUST 31, 2017 AND 2016

NOTE 8 - SUMMARY OF REVENUE FUNDING (Continued)

revenues were derived from Federal, State, and County fee for service programs. These programs are based, in part, on cost principles issued by the Federal government and the State of Texas.

In addition, the contracts covering these programs contain various provisions, including non-supplanting provisions, which are subject to varying interpretations. The Organization's compliance with the cost principles and the various other provisions of the contracts are subject to audit and retroactive adjustment by the respective grantor agencies. In the opinion of the Organization's management, retroactive adjustments, if any, would not be material to the financial position or operating results of the Organization.

NOTE 9 – LEASE COMMITMENTS

The Organization has a rent-free lease on real property it uses for its residential treatment facilities on Southton Road, San Antonio, Texas. The term of the property lease is for a forty year period and ends on December 31, 2054.

The Organization entered into property lease agreements in April 2013 and February 2015 for its outpatient treatment and administrative office facilities. A new lease agreement was entered into January 2017 for additional administrative office space. The terms of the office lease agreements end in December 2017.

The Organization has entered into a non-cancelable operating lease for office equipment. The terms of the operating lease end in January 2021. Minimum annual lease payments for all lease commitments for the next four years are as follows:

<u>Year Ending August 31,</u>		
2018	\$	55,419
2019		20,268
2020		20,268
2021		8,445
		<u>\$ 104,400</u>

Total lease expenses for the above lease commitments for 2017 and 2016 amounted to \$116,613 and \$117,056 respectively.

SAN ANTONIO LIFETIME RECOVERY, INC.  
dba LIFETIME RECOVERY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016

NOTE 10 – PENSION PLAN

The Organization established a defined contribution pension plan, which is available to all full time employees who satisfy the service requirements. A formula has been established whereby employee contributions are matched by the Organization up to a maximum of 3% of the employee's plan contributions. Employer contributions, which are reported as an expense of the Organization in the financial statements for fiscal years 2017 and 2016, amounted to \$54,440 and \$54,540, respectively.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

As required by the Fair Value of Financial Instruments topic of the FASB Accounting Standards Codification, the Organization adapted the provisions of Fair Value Measurements.

Under the Fair Value Measurements topic, fair value is defined as the price that would be received to sell an asset or an amount paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs of 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 or liabilities and have the highest priority, Level 2 valuations are based on quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities, and Level 3 valuations are based on inputs that are unobservable and consequently have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets or liabilities. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or 3 input valuations were used by the Organization.

The following methods and assumptions were used by The Organization in estimating its fair value disclosures for financial statements:

Cash and cash equivalents, government contracts receivable, pledges and contributions receivable, third party payer receivables, and other receivables (Level 1) - The carrying amounts reported in the statement of financial position approximate their fair values because of the short maturities of those instruments.

SAN ANTONIO LIFETIME RECOVERY, INC.  
dba LIFETIME RECOVERY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016

NOTE 12 – RECLASSIFICATIONS

Certain amounts in the financial statements for the fiscal year ended August 31, 2016 have been reclassified to conform to the presentation for the fiscal year ended August 31, 2017. These reclassifications had no effect on the change in net assets.

NOTE 13 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. For all such risks, the Organization has purchased insurance in varying amounts to mitigate the risk of loss.

NOTE 14 - CONDITIONAL PLEDGES

A conditional pledge for \$500,000 was received during the fiscal year ending August 31, 2015 as a capital campaign match to other donations that will presumably be raised by the Organization during the course of the capital campaign. \$100,000 of the total match amount of \$500,000 was received and properly recorded as grant revenue as of August 31, 2015. The receipt of the remaining \$400,000 of the pledge is conditional upon further progress in the capital campaign. Therefore, the pledge has not been recognized as an asset or as contribution revenue in the current year financial statements in accordance with United States generally accepted accounting principles.

NOTE 15 – NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2019. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In August 2016, the FASB issued a new accounting pronouncement regarding reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017, with early applications permitted. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

NOTE 16 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events that occurred after August 31, 2017 through the date of this report on January 23, 2018. Any material subsequent events that occurred during this time have been properly recognized or disclosed in the financial statements.

## SUPPLEMENTAL DATA

SAN ANTONIO LIFETIME RECOVERY, INC.  
dba LIFETIME RECOVERY  
STATEMENT OF FUNCTIONAL EXPENSES  
(Supplemental Schedule)  
YEAR ENDED AUGUST 31, 2017

	SUPPORTING SERVICES			TOTAL 2017
	GENERAL AND ADMINISTRATIVE			
	PROGRAM SERVICES	SERVICES	FUNDRAISING	
Salaries and Wages	\$ 2,245,187	\$ 132,270	\$ 109,111	\$2,486,568
Payroll Taxes	229,857	19,621	8,901	258,379
Total Salary and Related Expenses	2,475,044	151,891	118,012	2,744,947
Auto and Truck	12,968	120	-	13,088
Bank Charges and Other Fees	264	460	115	839
Client Expense	208,311	1,961	-	210,272
Client Expense In-Kind	500	-	-	500
Computer Expense	53,868	5,899	1,126	60,893
Contract Labor	27,753	11,628	-	39,381
Denied Claims	18,579	-	-	18,579
Dues and Subscriptions	11,309	1,266	300	12,875
Employee Benefits	265,064	17,721	8,088	290,873
Employee Miscellaneous Expenses	15,304	4,517	-	19,821
Equipment Rentals	18,348	1,851	-	20,199
Food	263,932	28	-	263,960
Insurance	21,277	8,149	-	29,426
Interest	840	392	-	1,232
Licenses and Permits	11,139	2,502	-	13,641
Marketing and Outreach	3,408	1,102	200	4,710
Meetings	5,124	5,497	58	10,679
Office Supplies	27,375	3,257	1,177	31,809
Postage	659	195	174	1,028
Printing	1,351	605	2,634	4,590
Professional Fees	27,511	21,855	-	49,366
Professional Fees In-Kind	64,494	7,722	-	72,216
Rent	92,308	4,106	-	96,414
Residential In-Kind Rent	85,000	-	-	85,000
Telephone	52,772	3,368	-	56,140
Training and Development	8,732	853	3,370	12,955
Travel	16,170	4,122	-	20,292
Utilities	73,245	612	-	73,857
Total Expenses before Depreciation and Amortization	3,862,649	261,679	135,254	4,259,582
Depreciation and Amortization	88,556	15,570	13,370	117,496
TOTAL FUNCTIONAL EXPENSES	<u>\$ 3,951,205</u>	<u>\$ 277,249</u>	<u>\$ 148,624</u>	<u>\$4,377,078</u>

See Accompanying Independent Auditor's Report.

SAN ANTONIO LIFETIME RECOVERY, INC.  
dba LIFETIME RECOVERY  
STATEMENT OF FUNCTIONAL EXPENSES  
(Supplemental Schedule)  
YEAR ENDED AUGUST 31, 2016

	SUPPORTING SERVICES			TOTAL 2016
	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE SERVICES		
		FUNDRAISING		
Salaries and Wages	\$ 2,249,335	\$ 151,073	\$ 73,203	\$2,473,611
Payroll Taxes	202,957	9,009	5,950	217,916
Total Salary and Related Expenses	2,452,292	160,082	79,153	2,691,527
Advertising				-
Auto and Truck	11,834	-	-	11,834
Bank Charges and Other Fees	1,579	226	61	1,866
Client Expense	256,347	984	-	257,331
Client Expense In-Kind	2,050	-	-	2,050
Computer Expense	52,604	6,212	-	58,816
Contract Labor	12,766	447	-	13,213
Denied Claims	9,119	12,832	-	21,951
Dues and Subscriptions	6,210	1,043	26	7,279
Employee Benefits	224,889	32,445	4,652	261,986
Employee Miscellaneous Expenses	20,546	2,818	-	23,364
Equipment Rentals	23,683	1,700	-	25,383
Food	264,212	3	-	264,215
Insurance	23,251	2,476	-	25,727
Interest	65	693	-	758
Licenses and Permits	225	-	-	225
Marketing and Outreach	2,476	1,108	-	3,584
Meetings	4,596	2,628	-	7,224
Miscellaneous	344	-	-	344
Office Supplies	34,271	3,266	-	37,537
Postage	1,547	204	-	1,751
Printing	2,542	4,916	-	7,458
Professional Fees	25,543	20,852	-	46,395
Professional Fees In-Kind	-	78,601	-	78,601
Rent	88,300	3,373	-	91,673
Residential In-Kind Rent	79,572	-	-	79,572
Telephone	49,136	4,788	-	53,924
Training and Development	17,844	1,213	-	19,057
Travel	31,354	2,378	-	33,732
Utilities	65,015	98	-	65,113
Total Expenses before Depreciation and Amortization	3,764,212	345,386	83,892	4,193,490
Depreciation and Amortization	78,718	8,746	-	87,464
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 3,842,930</b>	<b>\$ 354,132</b>	<b>\$ 83,892</b>	<b>\$4,280,954</b>

See Accompanying Independent Auditor's Report.

## SINGLE AUDIT REPORTS

**REED J. SMILEY**  
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MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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 Directors  
San Antonio Lifetime Recovery, Inc.  
dba Lifetime Recovery  
San Antonio, Texas

I 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 The San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery (a nonprofit organization), which comprise the statement of financial position as of August 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated January 23, 2018.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered The San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization'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 by governance.

My consideration of 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 my audit I did not identify any deficiencies in internal control that I 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 The San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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 on 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.



San Antonio, Texas  
January 23, 2018

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TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE

Board of Directors  
San Antonio Lifetime Recovery, Inc.  
dba Lifetime Recovery  
San Antonio, Texas

**Report on Compliance for Each Major Federal Program**

I have audited The San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of The San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery's major federal programs for the year ended August 31, 2017. The San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of The San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of The San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery's compliance.

## Opinion on Each Major Federal Program

In my opinion, The San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

## Report on Internal Control over Compliance

The management of The San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered The San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of The San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



San Antonio, Texas  
January 23, 2018

SAN ANTONIO LIFETIME RECOVERY, INC.  
 dba LIFETIME RECOVERY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED AUGUST 31, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program and Contract Number</u>	<u>Federal Expenditures</u>
<b>U. S. Department of Health and Human Services:</b>			
<u>Passed through Texas Department of State Health Services:</u>			
Block Grant for Prevention and Treatment of Substance Abuse	93.959	2016-048559-001 SA/TRA 2016-048382-001 SA/RSS-TO	\$ 2,100,763
Texas Medicaid Program	93.778	N/A	47,462
Beat Aids Coalition	93.137	2015LTR001	151,350
Bexar County Adult Criminal Drug Court	93.243	N/A	<u>159,211</u>
Total U. S. Department of Health and Human Services			2,458,786
<b>Department of Justice:</b>			
<u>Passed through the Western District Courts:</u>			
Substance Abuse Blanket Purchase Agreement - US Federal Probation	N/A	0542-16-5133 0542-15-0357	529,712
Substance Abuse Blanket Purchase Agreement - US Federal Pretrial	N/A	0542-2016-0004 0542-2014-0003	69,640
Treatment Alternative to Incarceration Program (TAIP)	N/A	TDCJ-CJAD	<u>241,698</u>
Total Department of Justice			<u>841,050</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,299,836</u></u>

See accompanying notes to schedule of expenditures of federal awards.

SAN ANTONIO LIFETIME RECOVERY, INC.  
dba LIFETIME RECOVERY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery, (a non-profit organization) under programs of the federal government for the year ended August 31, 2017. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 – SUBRECIPIENTS

None of the federal expenditures presented in the schedule was given to a subrecipient.

NOTE 4 – INDIRECT COST RATE

The Organization elected not to use the option of the 10% de minimis indirect cost rate.

NOTE 5 – RECONCILIATION TO AUDITED FINANCIAL STATEMENTS

Total Expenditures of Federal Awards	\$ 3,299,836
Non-Federal Program Revenue	<u>221,864</u>
Total Government Grants per Statement of Activities	<u><u>\$ 3,521,700</u></u>

SAN ANTONIO LIFETIME RECOVERY, INC.  
dba LIFETIME RECOVERY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery expresses an unmodified opinion on all major federal programs.
6. There are no audit findings disclosed that are required to be reported in accordance with Title 2 CFR 200.516(a).
7. The program tested as a major program was: U. S. Department of Health and Human Services passed through Texas Department of State Health Services: Block Grant for Prevention and Treatment of Substance Abuse (CFDA Number 93.959).
8. The threshold for distinguishing between Type A and Type B Programs was \$750,000.
9. San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery qualifies as a low-risk auditee.

SAN ANTONIO LIFETIME RECOVERY, INC.  
dba LIFETIME RECOVERY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2017  
(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported.