

SAN ANTONIO LIFETIME RECOVERY, INC.
DBA LIFETIME RECOVERY

AUDITED FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULES,
AND FEDERAL AWARDS REPORTS

AUGUST 31, 2015 AND 2014

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, 2015 and 2014, 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, 2015 and 2014, 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.

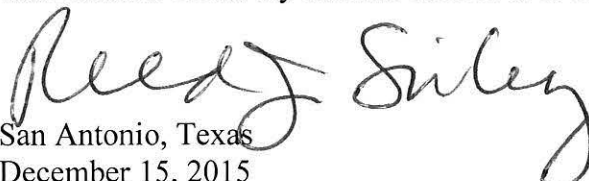
Other Matters

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 December 15, 2015, 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 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 internal control over financial reporting or on compliance. That report is an integral part of the 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
December 15, 2015

SAN ANTONIO LIFETIME RECOVERY, INC.
 dba LIFETIME RECOVERY
 STATEMENTS OF FINANCIAL POSITION
 AUGUST 31, 2015 AND 2014

ASSETS

<u>ASSETS</u>	2015	2014
Current Assets:		
Cash and Cash Equivalents	\$ 595,973	\$ 297,822
Accounts Receivable:		
Government Contracts	395,820	217,606
Current Portion of Pledges and Contributions	120,000	3,000
Third Party Payers	18,734	18,359
Prepaid Expenses	1,330	25,570
Total Current Assets	1,131,857	562,357
Other Assets:		
Non-Current Portion of Pledges and Contributions	360,000	-
Deposits	7,107	54,611
Total Other Assets	367,107	54,611
Fixed Assets:		
Building Improvements	455,607	461,687
Construction in Progress	45,880	-
Vehicles	32,744	52,681
Computer Equipment & Software	126,558	123,717
Furniture and Fixtures	107,247	121,709
Total Fixed Assets	768,036	759,794
Less: Accumulated Depreciation	409,476	434,396
Net - Property, Plant, and Equipment	358,560	325,398
 TOTAL ASSETS	 \$ 1,857,524	 \$ 942,366

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 85,886	\$ 40,488
Accrued Expenses	169,099	144,947
Deferred Revenues	3,100	1,500
Total Current Liabilities	258,085	186,935
 <u>NET ASSETS</u>		
Unrestricted Net Assets:		
Board Designated - Prudent Reserve	250,000	200,000
Undesignated	695,319	544,382
Total Unrestricted Net Assets	945,319	744,382
Temporarily Restricted Net Assets	654,120	11,049
Total Net Assets	1,599,439	755,431
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,857,524	 \$ 942,366

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, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL 2015</u>
<u>REVENUE AND SUPPORT</u>			
United Way of San Antonio	\$ 293,709	\$ -	\$ 293,709
Texas Department of State Health Services	1,953,556	-	1,953,556
Drug Court	327,620	-	327,620
US Federal Probation and Pretrial	632,595	-	632,595
Medicaid	101,876	-	101,876
Private Pay Fees	49,202	-	49,202
Program - Co-payments	12,504	-	12,504
Grant Income	376,130	654,120	1,030,250
Contributions	27,877	-	27,877
Special Events, net of expenses \$22,157	32,733	-	32,733
Miscellaneous	4,795	-	4,795
In-kind Contributions	83,902	-	83,902
Gain (Loss) on Disposal/Sale of Fixed Assets	(8,935)	-	(8,935)
Net Assets Released From Restrictions	11,049	(11,049)	-
TOTAL REVENUE AND SUPPORT	<u>3,898,613</u>	<u>643,071</u>	<u>4,541,684</u>
 <u>EXPENSES</u>			
Program Services	3,159,895	-	3,159,895
General and Administrative Services	484,774	-	484,774
Fundraising	53,007	-	53,007
TOTAL EXPENSES	<u>3,697,676</u>	<u>-</u>	<u>3,697,676</u>
CHANGE IN NET ASSETS	200,937	643,071	844,008
NET ASSETS AT BEGINNING OF THE YEAR	<u>744,382</u>	<u>11,049</u>	<u>755,431</u>
NET ASSETS AT END OF YEAR	<u>\$ 945,319</u>	<u>\$ 654,120</u>	<u>\$ 1,599,439</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, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL 2014</u>
<u>REVENUE AND SUPPORT</u>			
United Way of San Antonio	\$ 286,993	\$ -	\$ 286,993
Texas Department of State Health Services	1,552,494	-	1,552,494
Drug Court	419,031	-	419,031
US Federal Probation and Pretrial	212,346	-	212,346
Medicaid	117,158	-	117,158
Private Pay Fees	38,862	-	38,862
Program - Co-payments	10,245	-	10,245
Grant Income	251,250	-	251,250
Contributions	40,390	-	40,390
Special Events, net of expenses \$15,521	43,288	-	43,288
Miscellaneous	1,948	-	1,948
In-kind Contributions	90,070	-	90,070
Gain (Loss) on Disposal/Sale of Fixed Assets	900	-	900
Net Assets Released From Restrictions	34,034	(34,034)	-
TOTAL REVENUE AND SUPPORT	<u>3,099,009</u>	<u>(34,034)</u>	<u>3,064,975</u>
<u>EXPENSES</u>			
Program Services	2,742,027	-	2,742,027
General and Administrative Services	306,982	-	306,982
Fundraising	69,797	-	69,797
TOTAL EXPENSES	<u>3,118,806</u>	<u>-</u>	<u>3,118,806</u>
CHANGE IN NET ASSETS	(19,797)	(34,034)	(53,831)
NET ASSETS AT BEGINNING OF THE YEAR	<u>764,179</u>	<u>45,083</u>	<u>809,262</u>
NET ASSETS AT END OF YEAR	<u>\$ 744,382</u>	<u>\$ 11,049</u>	<u>\$ 755,431</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, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 844,008	\$ (53,831)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	81,948	73,091
Loss on Disposal of Fixed Assets	8,935	-
(Gain) on the Sale of Fixed Assets	-	(900)
Changes in:		
Accounts Receivable		
Government Contracts	(178,214)	(112,108)
Third Party Payers	(375)	(1,657)
Pledges and Contributions	(477,000)	(1,500)
Other	-	1,629
Deposits	47,504	(50,000)
Prepaid Expenses	24,240	(25,570)
Accounts Payable	45,398	(6,529)
Accrued Expenses	24,152	14,925
Deferred Revenues	1,600	(5,220)
Net Cash Provided (Used) By Operating Activities	422,196	(167,670)
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(78,164)	(36,650)
Construction in Progress	(45,881)	-
Proceeds From the Sale of Fixed Assets	-	900
Net Cash Used By Investing Activities	(124,045)	(35,750)
Net Increase (Decrease) in Cash	298,151	(203,420)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	297,822	501,242
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 595,973	\$ 297,822

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, 2015 AND 2014

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, 2015 AND 2014

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 \$79,572 for the fiscal years 2015 and 2014, respectively. In 2015 and 2014, the Organization also received in-kind professional services with fair market values of \$4,330 and \$10,498, respectively. 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.

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, 2015 AND 2014

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, 2015 and 2014 fixed assets consist of the following:

	<u>2015</u>	<u>2014</u>
Building Improvements	\$ 455,607	\$ 461,687
Vehicles	32,744	52,681
Computer Software/Equipment	126,558	123,717
Furniture and Fixtures	<u>107,247</u>	<u>121,709</u>
	\$ 722,156	\$ 759,794
Less: Accumulated Depreciation	<u>(409,476)</u>	<u>(434,396)</u>
Construction in Progress	45,880	-
	<u>\$ 358,560</u>	<u>\$ 325,398</u>

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, 2015 and 2014.

SAN ANTONIO LIFETIME RECOVERY, INC.
dba LIFETIME RECOVERY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

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 2012 through 2014 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.

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

SAN ANTONIO LIFETIME RECOVERY, INC.
dba LIFETIME RECOVERY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

service. Accrued vacation leave at August 31, 2015 and 2014 amounted to \$68,906 and \$57,300, 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, 2015 and 2014 in the amounts of \$83,203 and \$78,474 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 year ending August 31, 2015, the Organization received pledges intended to provide support for its current capital expansion project over multiple years. Pledges receivable are recognized when the donor make 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:

Receivable in Less Than One Year	\$ 120,000
Receivable in One to Five Years	<u>360,000</u>
	<u>\$ 480,000</u>

NOTE 4- 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 for the purpose of providing assistance in the case of an emergency situation or other purposes which may

SAN ANTONIO LIFETIME RECOVERY, INC.
 dba LIFETIME RECOVERY
 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 2015 AND 2014

NOTE 4- NET ASSETS (Continued)

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 \$250,000 as of August 31, 2015 and \$200,000 as of August 31, 2014.

Temporarily Restricted - Temporarily restricted net assets have been restricted by grantors for the accomplishment of a particular program or for a specific use. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization has no permanently restricted net assets.

At August 31, 2015 and 2014, temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Capital Expansion	\$ 654,120	\$ -
Scholarships	-	11,049
	<u>\$ 654,120</u>	<u>\$ 11,049</u>

NOTE 5- 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:

	<u>2015</u>	<u>2014</u>
Upgrade Project	\$ -	\$ 33,988
Scholarships	11,049	-
Meditation Garden	-	46
	<u>\$ 11,049</u>	<u>\$ 34,034</u>

NOTE 6 - 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, 2015 and 2014, the Organization exceeded the FDIC insured limit by \$368,586 and \$58,738, respectively.

SAN ANTONIO LIFETIME RECOVERY, INC.
dba LIFETIME RECOVERY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 7 - 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 66% (75% in 2014) of the Organization's 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 8 – 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 9 – LEASE COMMITMENTS

The Organization has a rent-free lease on real property it uses for its residential treatment facilities on Southton Road. The term of the property lease ends on May 31, 2016.

The Organization entered into a property lease agreement in April 2013 for its new outpatient treatment and administrative offices facilities. The initial term of the property lease agreement ends in March 2016. A new lease agreement was entered into in February 2015 for additional outpatient and administrative office facilities. The term of the new lease agreement ends in December 2017.

The Organization has entered into two non-cancelable operating leases for office equipment. The terms of the operating leases end in April 2017 and March 2018. Minimum annual lease payments for all lease commitments for the next three years are as follows:

SAN ANTONIO LIFETIME RECOVERY, INC.
dba LIFETIME RECOVERY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 9 – LEASE COMMITMENTS (Continued)

Year Ending August 31,

2016	\$ 82,547
2017	36,771
2018	<u>10,040</u>
	<u>\$ 129,358</u>

Total lease expenses for the above lease commitments for 2015 and 2014 amounted to \$98,127 and \$78,400, respectively.

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 2015 and 2014, amounted to \$12,915 and \$14,307, 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

SAN ANTONIO LIFETIME RECOVERY, INC.
dba LIFETIME RECOVERY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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.

NOTE 12 – RECLASSIFICATIONS

Certain amounts in the financial statements for the fiscal year ended August 31, 2014 have been reclassified to conform to the presentation for the fiscal year ended August 31, 2015. These reclassifications had no effect on the change in net assets.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Attorneys have been consulted in connection with various legal matters. Evaluating the likelihood of an unfavorable outcome or estimating the range of potential loss, if any, cannot be predicted with certainty therefore an accrual for possible contingencies related to legal controversies has not been recorded in the accompanying financial statements.

NOTE 14 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events that occurred after August 31, 2015 through the date of this report on December 15, 2015. 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, 2015

	SUPPORTING SERVICES			TOTAL 2015
	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE SERVICES		
		FUNDRAISING	TOTAL	
Salaries and Wages	\$ 1,753,617	\$ 207,202	\$ 21,050	\$1,981,869
Payroll Taxes	148,862	19,268	1,468	169,598
Total Salary and Related Expenses	1,902,479	226,470	22,518	2,151,467
Advertising	-	-	147	147
Auto and Truck	14,865	743	-	15,608
Bank Charges and Other Fees	481	1,885	29	2,395
Client Expense	217,874	2,500	49	220,423
Computer Expense	62,512	10,210	2,385	75,107
Contract Labor	45,861	34,382	16,830	97,073
Denied Claims	23,193	1,319	-	24,512
Development	127	1,831	-	1,958
Dues and Subscriptions	293	8,006	2,642	10,941
Employee Benefits	104,508	71,973	-	176,481
Employee Miscellaneous Expenses	24,867	58	-	24,925
Equipment Rentals	21,827	1,533	174	23,534
Food	252,066	-	1,463	253,529
Insurance	22,430	2,385	-	24,815
Licenses and Permits	4,852	578	-	5,430
Meetings	2,997	5,450	35	8,482
Miscellaneous	200	1,105	-	1,305
Office Supplies and Expense	33,051	12,642	174	45,867
Payroll Management Fee	96,650	10,223	1,150	108,023
Postage	1,486	613	1,059	3,158
Printing	22	266	3,128	3,416
Professional Fees	11,931	3,038	-	14,969
Professional Fees In-Kind	-	4,330	-	4,330
Rent	67,941	6,030	621	74,592
Residential In-Kind Rent	79,572	-	-	79,572
Telephone	47,298	3,840	603	51,741
Training and Development	10,526	11,566	-	22,092
Travel	26,113	6,823	-	32,936
Utilities	55,191	1,709	-	56,900
Total Expenses before Depreciation and Amortization	3,131,213	431,508	53,007	3,615,728
Depreciation and Amortization	28,682	53,266	-	81,948
TOTAL FUNCTIONAL EXPENSES	\$ 3,159,895	\$ 484,774	\$ 53,007	\$3,697,676

See Accompanying Independent Auditor's Report.

SAN ANTONIO LIFETIME RECOVERY, INC.
dba LIFETIME RECOVERY
STATEMENT OF FUNCTIONAL EXPENSES
(Supplemental Schedule)
YEAR ENDED AUGUST 31, 2014

	SUPPORTING SERVICES			TOTAL 2014
	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE SERVICES		
		FUNDRAISING		
Salaries and Wages	\$ 1,502,210	\$ 92,406	\$ 40,888	\$1,635,504
Payroll Taxes	189,642	11,665	5,162	206,469
Total Salary and Related Expenses	1,691,852	104,071	46,050	1,841,973
Advertising	-	2,500	-	2,500
Auto and Truck	20,185	-	-	20,185
Bank Charges and Other Fees	1,063	1,002	134	2,199
Client Expense	204,177	1,583	17	205,777
Computer Expense	48,988	3,551	854	53,393
Contract Labor	69,536	34,431	-	103,967
Development	-	669	816	1,485
Dues and Subscriptions	60	7,853	4,836	12,749
Employee Benefits	104,508	8,878	2,004	115,390
Employee Miscellaneous Expenses	12,428	10,005	41	22,474
Equipment Rentals	20,957	1,917	479	23,353
Food	198,115	8	-	198,123
Insurance	6,926	14,401	109	21,436
Licenses and Permits	126	14	-	140
Meetings	1,175	10,335	2,219	13,729
Miscellaneous	-	52	-	52
Office Supplies and Expense	29,063	4,235	774	34,072
Payroll Management Fee	52,325	3,219	1,424	56,968
Postage	2,201	614	2,026	4,841
Printing	774	368	1,964	3,106
Professional Fees	11,475	12,032	-	23,507
Professional Fees In-Kind	2,288	8,210	-	10,498
Rent	50,807	6,605	-	57,412
Residential In-Kind Rent	79,572	-	-	79,572
Telephone	47,394	3,440	2,582	53,416
Training and Development	2,461	9,549	431	12,441
Travel	4,872	6,663	3,037	14,572
Utilities	52,524	3,861	-	56,385
Total Expenses before Depreciation and Amortization	2,715,852	260,066	69,797	3,045,715
Depreciation and Amortization	26,175	46,916	-	73,091
TOTAL FUNCTIONAL EXPENSES	\$ 2,742,027	\$ 306,982	\$ 69,797	\$3,118,806

See Accompanying Independent Auditor's Report.

FEDERAL AWARDS 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, 2015, 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 December 15, 2015.

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
December 15, 2015



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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 OMB
CIRCULAR A-133.

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 *Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 of laws, regulations, contracts, and grants applicable to federal programs. 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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



San Antonio, Texas
December 15, 2015

SAN ANTONIO LIFETIME RECOVERY, INC.
 dba LIFETIME RECOVERY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program and Contract Number</u>	<u>Federal Expenditures</u>
U. S. Department of Health and Human Services:			
<u>Passed through Texas Department of State Health Services:</u>			
Block Grant for Prevention and Treatment of Substance Abuse	93.959	Multiple	\$ 1,953,557
Texas Medicaid Program	93.778	Multiple	101,876
Bexar County Adult Criminal Drug Court	93.243	Multiple	<u>15,985</u>
Total U. S. Department of Health and Human Services			2,071,418
Department of Justice:			
<u>Passed through the Western District Courts:</u>			
Substance Abuse Blanket Purchase Agreement - US Federal Probation	N/A	0542-15-0357 0542-13-5176	566,338
Substance Abuse Blanket Purchase Agreement - US Federal Pretrial	N/A	0542-2013-0002 0542-2014-0003	66,257
Treatment Alternative to Incarceration Program (TAIP)	N/A	TDCJ-CJAD	<u>283,860</u>
Total Department of Justice			<u>916,455</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,987,873</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, 2015

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, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 OMB Circular A-122, *Cost Principles for Non-profit Organizations*, 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 – RECONCILIATION TO AUDITED FINANCIAL STATEMENTS

Total Expenditures of Federal Awards	\$ 2,987,873
Non-Federal Program Revenue	<u>27,775</u>
 Total Government Grants per Statement of Activities	 <u>\$ 3,015,648</u>

SAN ANTONIO LIFETIME RECOVERY, INC.
dba LIFETIME RECOVERY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015

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 OMB Circular A-133.
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 Section 510(a) of OMB Circular A-133.
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 \$300,000.
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, 2015
(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no current year findings or questioned costs.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings or questioned costs.