CENTER FOR ADDICTION TREATMENT, INC.

June 30, 2019

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT INCLUDING SUPPLEMENTARY INFORMATION

CENTER FOR ADDICTION TREATMENT

Recovery Within Reach

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VonLehman
CPA & ADVISORY FIRM

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Center for Addiction Treatment, Inc.
Cincinnati, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Center for Addiction Treatment, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our 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 we 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on 2018

Center for Addiction Treatment, Inc.'s financial statements for the year ended June 30, 2018 do not disclose all of the required footnote disclosures related to its defined benefit pension plan. In our opinion, disclosure of that information is required to conform with accounting principles generally accepted in the United States of America. However, management believes it is impracticable to develop the information.

Unmodified Opinion on 2019 and Qualified Opinion on 2018

In our opinion, except for the effect on the 2018 financial statements for the omission of the information discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Center for Addiction Treatment, Inc. as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in the notes to the financial statements, during 2019, Center for Addiction Treatment, Inc. adopted Accounting Standards Update (ASU) No 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 14, 2020 on our consideration of Center for Addiction Treatment, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Center for Addiction Treatment, Inc.'s internal control over financial reporting and compliance.

VonLehman & Company Inc.

Fort Wright, Kentucky
February 14, 2020

CENTER FOR ADDICTION TREATMENT, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30, 2019	2018
Current Assets		
Cash and Cash Equivalents	$ 1,564,725	$ 693,234
Restricted Cash	43,381	173,778
Accounts Receivable, Net	515,859	539,236
Unconditional Promises to Give, Net	37,839	22,200
Grants Receivable	273,903	123,875
Prepaid Expenses	101,351	75,984
Prepaid Pension Benefit Obligation	-	59,756
Total Current Assets	2,537,058	1,688,063
Property and Equipment, Net	6,541,617	5,867,126
Noncurrent Assets (Less Current Portion)		
Unconditional Promises to Give, Net	-	7,600
Intangibles Subject to Amortization	4,193	8,393
Total Noncurrent Assets	4,193	15,993
Total Assets	$ 9,082,868	$ 7,571,182

LIABILITIES AND NET ASSETS

	2019	2018
Current Liabilities		
Accounts Payable	$ 265,004	$ 126,695
Accrued Expenses	383,619	289,614
Deferred Revenue	53,511	-
Note Payable	33,155	32,339
Total Current Liabilities	735,289	448,648
Long-Term Liabilities (Less Current Portion)		
Note Payable	887,262	923,018
Total Liabilities	1,622,551	1,371,666
Net Assets		
Without Donor Restrictions	7,379,097	5,995,938
With Donor Restrictions	81,220	203,578
Total Net Assets	7,460,317	6,199,516
Total Liabilities and Net Assets	$ 9,082,868	$ 7,571,182

See accompanying notes.

CENTER FOR ADDICTION TREATMENT, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains			
Federal Awards and Other Grants	$ 1,756,486	$ -	$ 1,756,486
Client Fees	5,021,668	-	5,021,668
United Way	87,302	-	87,302
Contributions	69,602	1,171,213	1,240,815
Special Events	-	35,039	35,039
Food Sales	4,964	-	4,964
Interest Income	1,243	-	1,243
Other Revenue	8,369	-	8,369
Total Revenue, Support and Gains	6,949,634	1,206,252	8,155,886
Net Assets Released From Restriction	1,328,610	(1,328,610)	-
Total Revenue, Support, Gains and Reclassifications	8,278,244	(122,358)	8,155,886
Expenses			
Program Services			
Detoxification Program	2,276,367	-	2,276,367
Rehabilitation Program	2,265,778	-	2,265,778
Non-Core Programs	1,456,045	-	1,456,045
Total Program Services	5,998,190	-	5,998,190
Management and General	807,513	-	807,513
Fundraising and Development	89,382	-	89,382
Total Expenses	6,895,085	-	6,895,085
Change in Net Assets	1,383,159	(122,358)	1,260,801
Net Assets, Beginning of Year	5,995,938	203,578	6,199,516
Net Assets, End of Year	$ 7,379,097	$ 81,220	$ 7,460,317

See accompanying notes.

CENTER FOR ADDICTION TREATMENT, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains			
Federal Awards and Other Grants	$ 2,176,107	$ -	$ 2,176,107
Client Fees	3,567,155	-	3,567,155
United Way	98,639	-	98,639
Contributions	122,246	366,175	488,421
Special Events	-	-	-
Food Sales	4,058	-	4,058
Interest Income	-	-	-
Other Revenue	6,853	-	6,853
Total Revenue, Support and Gains	5,975,058	366,175	6,341,233
Net Assets Released From Restriction	640,199	(640,199)	-
Total Revenue, Support, Gains and Reclassifications	6,615,257	(274,024)	6,341,233
Expenses			
Program Services			
Detoxification Program	2,213,322	-	2,213,322
Rehabilitation Program	2,071,986	-	2,071,986
Non-Core Programs	959,587	-	959,587
Total Program Services	5,244,895	-	5,244,895
Management and General	613,316	-	613,316
Fundraising and Development	38,395	-	38,395
Total Expenses	5,896,606	-	5,896,606
Excess of Revenue, Support, Gains and Reclassifications Over Expenses	718,651	(274,024)	444,627
Prior Pension Costs	(253,213)	-	(253,213)
Change in Net Assets	465,438	(274,024)	191,414
Net Assets, Beginning of Year	5,530,500	477,602	6,008,102
Net Assets, End of Year	$ 5,995,938	$ 203,578	$ 6,199,516

See accompanying notes.

CENTER FOR ADDICTION TREATMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
With Summarized Comparative Total for June 30, 2018

	Program Services				Supporting Services			2018
	Detoxification	**Rehabilitation**	**Non-Core**	**Subtotal**	**Management and General**	**Fundraising**	**Total**	**Total (Memorandum Only)**
Salaries	$ 1,326,206	$ 1,324,592	$ 662,474	$ 3,313,272	$ 481,819	$ 21,381	$ 3,816,472	$ 3,242,575
Payroll Taxes and Benefits	258,487	258,171	129,120	645,778	94,244	3,833	743,855	644,956
Professional Fees and Contracted Service Payments	161,836	153,825	399,783	715,444	26,214	42,941	784,599	599,722
Supplies	145,544	145,366	72,703	363,613	55,223	714	419,550	398,835
Occupancy	112,202	112,065	56,048	280,315	42,573	1,929	324,817	248,449
Travel and Transportation	4,519	4,513	2,257	11,289	1,715	557	13,561	12,779
Telephone	6,993	6,986	3,494	17,473	2,654	-	20,127	19,193
Staff Training	4,780	4,774	2,387	11,941	1,813	69	13,823	9,538
Postage	412	412	206	1,030	157	1,317	2,504	2,083
Dues and Memberships	8,492	8,481	4,242	21,215	3,222	-	24,437	29,369
Equipment Rental and Supplies	12,841	12,824	6,414	32,079	4,872	11,019	47,970	38,462
Printing and Publications	5,160	5,153	2,577	12,890	1,958	980	15,828	7,697
Insurance	29,107	29,070	14,539	72,716	11,043	-	83,759	108,698
Bank Fees and Interest	14,136	14,118	7,061	35,315	5,363	-	40,678	46,623
Miscellaneous Expenses	23,179	23,153	11,580	57,912	8,796	4,642	71,350	23,796
Total Expenses by Function Before Depreciation and Amortization	2,113,894	2,103,503	1,374,885	5,592,282	741,666	89,382	6,423,330	5,432,775
Depreciation	162,473	162,275	81,160	405,908	61,647	-	467,555	459,631
Amortization	-	-	-	-	4,200	-	4,200	4,200
Total Expenses by Function	$ 2,276,367	$ 2,265,778	$ 1,456,045	$ 5,998,190	$ 807,513	$ 89,382	$ 6,895,085	$ 5,896,606

See accompanying notes.

CENTER FOR ADDICTION TREATMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services				Supporting Services		
	Detoxification	**Rehabilitation**	**Non-Core**	**Subtotal**	**Management and General**	**Fundraising**	**Total**
Salaries	$ 1,219,208	$ 1,141,386	$ 528,540	$ 2,889,134	$ 333,941	$ 19,500	$ 3,242,575
Payroll Taxes and Benefits	242,503	227,025	105,128	574,656	66,796	3,504	644,956
Professional Fees and Contracted Service Payments	225,495	211,102	97,755	534,352	62,520	2,850	599,722
Supplies	149,962	140,390	65,010	355,362	42,958	515	398,835
Occupancy	93,295	87,515	40,589	221,399	26,059	991	248,449
Travel and Transportation	4,805	4,498	2,083	11,386	1,176	217	12,779
Telephone	7,217	6,756	3,128	17,101	2,092	-	19,193
Staff Training	3,586	3,357	1,555	8,498	801	239	9,538
Postage	483	433	240	1,156	40	887	2,083
Dues and Memberships	11,043	10,338	4,787	26,168	3,201	-	29,369
Equipment Rental and Supplies	14,462	13,539	6,269	34,270	4,192	-	38,462
Printing and Publications	2,514	2,329	875	5,718	459	1,520	7,697
Insurance	40,870	38,262	17,718	96,850	11,848	-	108,698
Bank Fees and Interest	17,530	16,411	7,600	41,541	5,082	-	46,623
Miscellaneous Expenses	5,950	5,376	2,705	14,031	1,593	8,172	23,796
Total Expenses by Function Before Depreciation and Amortization	2,038,923	1,908,717	883,982	4,831,622	562,758	38,395	5,432,775
Depreciation	174,399	163,269	75,605	413,273	46,358	-	459,631
Amortization	-	-	-	-	4,200	-	4,200
Total Expenses by Function	$ 2,213,322	$ 2,071,986	$ 959,587	$ 5,244,895	$ 613,316	$ 38,395	$ 5,896,606

See accompanying notes.

CENTER FOR ADDICTION TREATMENT, INC.
STATEMENTS OF CASH FLOWS

	Years Ended June 30, 2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	$ 1,260,801	$ 191,414
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	467,555	459,631
Amortization	4,200	4,200
Loss on Disposal of Property and Equipment	2,496	-
Prior Pension Cost	-	253,213
Changes in		
Accounts Receivable	23,377	(546,895)
Unconditional Promises to Give	(8,039)	199,200
Grants Receivable	(150,028)	699,086
Prepaid Expenses	(25,367)	15,708
Prepaid Pension Benefit Obligation	59,756	-
Accounts Payable	138,309	(350,443)
Accrued Expenses	94,005	56,481
Deferred Revenue	53,511	-
Net Cash Provided by Operating Activities	1,920,576	981,595
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(1,144,542)	(664,896)
Cash Flows from Financing Activities		
Proceeds from Note Payable	-	393,304
Payments on Note Payable	(34,940)	(28,255)
Payments on Accrued Pension Liability	-	(375,605)
Net Cash Used by Financing Activities	(34,940)	(10,556)
Net Change in Cash, Cash Equivalents and Restricted Cash	741,094	306,143
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	867,012	560,869
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 1,608,106	$ 867,012

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Center for Addiction Treatment, Inc. (the Center) is incorporated in the State of Ohio. Its purpose is to provide a wide range of appropriate community services to primarily, but not exclusively, indigent men and women in the Greater Cincinnati area suffering from alcohol, drug and other dependencies, with the ultimate goal of returning those individuals to the community as recovering, productive and self-sufficient citizens. The Center's viability is dependent on the success of program services, contributions and grants, etc. and the Center's ability to collect on its contracts.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, support, revenues and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

All donor-restricted contributions are reported as increased in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Public Support and Revenue Recognition

The Center records revenue from special events, contributions, and miscellaneous sources when earned. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Revenue from government grants which reimburse the actual costs of the programs is recognized as such costs are incurred and reimbursements are determinable. All other grants are recognized ratably over the allocation period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Non-core programs include several smaller programs which were identified for the purpose of the statements of functional expenses. The expenses that are allocated include salaries and benefits, professional fees and contracted service payments, supplies, occupancy, travel and transportation, training, insurance, bank fees, and miscellaneous expense, which are allocated on the basis of estimates of time and effort.

Accounts and Grants Receivable

Accounts and grants receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts and grants receivable are considered past due if any portion of an account has not been paid in full within the contractual terms of the account or the anticipated due date. The Center begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the Center's collection history, the financial stability and recent payment history of the grantors and clients, and other pertinent factors. Based on these criteria, an allowance for doubtful accounts is not necessary at both June 30, 2019 and 2018, since the Center expects no material losses.

Promises to Give

The Center records unconditional promises to give that are expected to be collected at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. Based on these criteria, no allowance for doubtful promises has been provided at June 30, 2019 and 2018, since the Center does not expect any material losses.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value, if contributed. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Significant betterments and renewals over $2,500 are capitalized.

The useful lives of property and equipment for purposes of computing depreciation are:

Buildings	20 Years
Improvements	5 Years
Equipment	5 - 10 Years
Vehicles	5 Years

Intangibles Subject to Amortization

Intangibles consist of rebranding costs being amortized over five years. Future amortization expense of approximately $4,200 per year is expected until they are fully amortized in June 2020.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell. Long-lived assets were measured for impairment, and no adjustments were deemed necessary during both the years ended June 30, 2019 and 2018.

Donated Services, Equipment, and In-Kind Contributions

Donations of equipment and in-kind contributions are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.

The Center occasionally has time contributed to its mission through volunteers, however the statements of activities does not reflect the value of these services as they do not meet recognition criteria required under U.S. GAAP.

Uncompensated and Charity Care

The Center has a policy of serving clients regardless of their ability to pay. This policy specifically addresses uncompensated as either Charity Care or Uncompensated Care. Charity Care is any treatment provided to a patient who is not eligible for public funds and is unable to self-fund the desired treatment services. Uncompensated Care is any treatment provided to a patient residing in Hamilton County and such treatment provided is above the capped allocation of the Hamilton County Mental Health Board, not covered by the Hamilton County Mental Health Board or originally billed to Medicaid, or any other payer but unpaid. Total uncompensated and charity care was $-0- and $33,896 for the years ended June 30, 2019 and 2018, respectively.

Retirement Plans

Multi-Employer Defined Benefit Pension Plan

The Center elected in 1999 to freeze its participation in a multi-employer, non-contributory defined benefit pension plan for which the United Way of Greater Cincinnati (UWGC) was the plan administrator. The plan was underfunded, and the Center was made additionally liable upon its withdrawal from the plan for a portion of the plan's underfunded vested benefits. In March 2018, the Center terminated its participation in the UWGC defined benefit pension plan and paid out all benefits in April 2018.

Defined Benefit Pension Plan

As part of its termination of the UWGC defined benefit pension plan, the Center spun-off its assets and liabilities in a new single-employer defined benefit pension plan with the same provisions as the UWGC defined pension plan. The plan covered all eligible employees and benefits are based on calculation as documented in the summary plan description. In December 2018, the Center terminated its participation in this plan.

U.S. GAAP requires the recording of the entire over/underfunded liability. In accordance with U.S. GAAP, the Center recorded the additional asset/liability to fully accrue its over/underfunded asset/liability as a direct addition/reduction of the net assets without donor restrictions as of June 30, 2018 (see Retirement Plans - Defined Benefit Pension Plan note).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

401(k) Retirement Plan

The Center has a 401(k) retirement plan for its employees. The effective date was December 31, 2004. Employees have the option of contributing to the plan through payroll deductions. There is no required employer match, but the Center may, at its discretion, contribute to the plan. By its nature, the plan is fully funded.

Income Taxes

The Center is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of state law. In addition, the Center is not a private foundation as defined in Section 509(a)(1) of the Internal Revenue Code.

The Center has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Center recognized no interest or penalties in the statements of activities for both the years ended June 30, 2019 and 2018. If the situation arose in which the Center would have interest to recognize, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. The Center is not currently under audit nor has the Center been contacted by any jurisdictions.

Based on the evaluation of the Center's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for both the years ended June 30, 2019 and 2018.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform with the presentation in the current year. The reclassifications had no impact on previously reported net assets.

Recently Issued Significant Accounting Standards

Revenue Recognition Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. This standard may have an impact on the timing of when an entity recognizes certain revenue. The ASU is effective for nonpublic entities for years beginning after December 15, 2018.

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The core principle of Topic 958 is to clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The ASU is effective for nonpublic entities for years beginning after December 15, 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842.) The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases that are not excluded by this standard. Such leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements,* and therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The ASU is effective for nonpublic entities for years beginning after December 15, 2020.

The Center is currently in the process of evaluating the impact of adoption of these ASUs on its financial statements.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* (Topic 958). The core principles of Topic 958 are a reduction in the number of net asset categories from three to two, reporting investment return net of external and internal investment expenses, the placed-in-service approach for reporting expirations of restrictions on donated assets and enhanced disclosures regarding designations and donor restrictions, qualitative and quantitative liquidity information, expense allocation methods, expenses by natural classification and function and underwater endowments. The Center implemented ASU 2016-14 and adjusted presentation in these statements accordingly.

Subsequent Events

The Center has evaluated subsequent events through February 14, 2020, which is the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY

Financial assets available for general use and without donor or other restrictions limiting their use, within one year of the statement of financial position are comprised of the following:

		June 30, 2019
Cash and Cash Equivalents, Without Restrictions	$	1,564,725
Accounts Receivable, Net		515,859
Total Financial Assets Available	$	2,080,584

The Center has adopted a financial policy to set aside funds in a money market account as a reserve, to earn a higher rate of return. Occasionally, the Board of Directors designates a portion of any operating surplus to this reserve, which carried a balance of $509,136 at June 30, 2019. This reserve balance is available for general use.

Additionally, the Center has available a line of credit (see Line of Credit note) for its general use within one year.

NOTE 3 - CASH AND CASH FLOWS

At various times throughout the year, the Center may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to $250,000 for each business depositor.

For purposes of the statements of cash flows, the Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be a cash equivalent.

Cash paid for interest was $40,678 and $46,623 for the years ending June 30, 2019 and 2018, respectively.

At June 30, 2019 and 2018, the Center had $43,381 and $173,778, respectively, in donor restricted cash, which is required to be used toward building expansion costs.

The following provides a reconciliation of cash, cash equivalents, and restricted cash reported on the statements of cash flows to amounts reported in the statements of financial position:

	June 30, 2019	June 30, 2018
Cash and Cash Equivalents	$ 1,564,725	$ 693,234
Restricted Cash	43,381	173,778
	$ 1,608,106	$ 867,012

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give were as follows:

	2019	2018
Receivable in Less than One Year	$ 37,839	$ 22,200
Receivable in One to Five Years	-	7,600
	$ 37,839	$ 29,800

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of:

	2019	2018
Land	$ 177,675	$ 177,675
Buildings and Improvements	7,705,132	7,857,283
Equipment	928,608	1,046,335
Vehicles	23,988	23,988
Construction in Progress	1,070,963	97,568
	9,906,366	9,202,849
Less Accumulated Depreciation	3,364,749	3,335,723
Total Property and Equipment	$ 6,541,617	$ 5,867,126

NOTE 6 - LINE OF CREDIT

At June 30, 2018, the Center had a $600,000 line of credit at a bank that was collateralized by substantially all of the Center's assets. Monthly interest on the line of credit balance was charged at the prime rate (the prime rate was 5% at June 30, 2018), and the line of credit matured in May 2019. During the year ended June 30, 2019, the Center renewed the line of credit for $500,000, and the line of credit is set to mature in May 2020. The prime rate of interest on the line of credit at June 30, 2019 was 5.5%. There was nothing drawn on the line of credit at both June 30, 2019 and 2018.

NOTE 7 - LONG TERM DEBT

In July 2018, the Center restructured a previous agreement with a bank to help finance new construction, which was collateralized by the building expansion. The new term note charges interest at 4% with monthly principal and interest payments of $6,085, with a balloon payment due in July 2020. The principal amount owed at June 30, 2019 and 2018 was $920,417 and $955,357, respectively.

The remaining maturities as of June 30, 2019 on this note are as follows:

Years Ending June 30,	
2020	$ 33,155
2021	887,262
	$ 920,417

NOTE 8 - RETIREMENT PLANS

Defined Benefit Pension Plan

In March 2018, the Center terminated its participation in the UWGC defined benefit pension plan and spun-off its assets and liabilities into a new single-employer defined benefit pension plan with the same provisions as the UWGC defined pension plan. In December 2018, the Center terminated the new defined benefit pension plan and paid out all accrued benefits.

The following is the value of the plan assets as June 30, 2018:

	June 30, 2018
Fair Value of Plan Assets	$ 1,092,637
Defined Benefit Pension Obligation	1,032,881
Net Amounts Recognized Funded Status	$ 59,756

The Center paid contributions of $-0- and $1,101,361 to the plan for the year ended June 30, 2019 and 2018, respectively. No other contributions were made.

The liability discount rate used in determining the actuarial present value of the projected benefit obligation was 4% for 2018. The expected long-term rate of return on assets was not determinable as the plan was terminated in December 2018.

NOTE 8 - RETIREMENT PLANS (Continued)

Defined Benefit Pension Plan (Continued)

The estimated outstanding asset/liability as of June 30, 2018 utilized actuarial studies available to the Center. In accordance with changes mandated by the Pension Protection Act of 2006, the Center has accrued the entire additional asset/liability as known for the year ended June 30, 2018.

U.S. GAAP requires the recording of the entire over/underfunded asset/liability. In accordance with U.S. GAAP, the Center recorded the asset/liability to fully accrue its over/underfunded asset/liability as a direct addition/reduction of the unrestricted fund balance as of June 30, 2018.

401(k) Retirement Plan

The Center made a discretionary contribution of $94,724 and $50,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	June 30, 2019	June 30, 2018
Subject to Expenditure for Specified Purpose:		
Building Expansion	$ 43,381	$ 173,778
Unconditional Promises Restricted by Donors for Building Expansion	12,839	29,800
Expanding Addiction Treatment for Women	25,000	-
Total Net Assets with Donor Restrictions	$ 81,220	$ 203,578

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose by the donors as follows:

	2019	2018
Satisfaction of Purpose Restrictions:		
Building Expansion	$ 816,660	$ 640,199
Primary Care and Mental Health Counseling	500,000	-
Work Readiness Program	11,950	-
Total Net Assets Released From Restrictions	$ 1,328,610	$ 640,199

NOTE 10 - OPERATING LEASES

The Center leases various equipment under operating leases which expire at various dates through July 2022. The Center's lease expense was $10,034 and 13,523 for the years ended June 30, 2019 and 2018, respectively.

Future minimum equipment lease payments are expected as follows:

Years Ending June 30,	
2020	$ 8,628
2021	8,628
2022	8,628
2023	719
	$ 26,603

NOTE 11 - FUNCTIONAL EXPENSES

The Center had total functional expenses as follows:

	June 30, 2019		June 30, 2018	
Program Services	$ 5,998,190	87.0 %	$ 5,244,895	88.9 %
Management and General	807,513	11.7	613,316	10.4
Fundraising	89,382	1.3	38,395	0.7
	$ 6,895,085	100.0 %	$ 5,896,606	100.0 %

NOTE 12 - CONCENTRATION

The Center receives revenue from Hamilton County which accounted for approximately 20% and 31% of its total revenue for the years ended June 30, 2019 and 2018, respectively, and 84% and 100% of grants receivable as of June 30, 2019 and 2018, respectively. The Center receives Medicaid revenue which accounted for approximately 54% and 47% of its total revenue for the years ended June 30, 2019 and 2018, respectively, and 61% and 98% of accounts receivable as of June 30, 2019 and 2018, respectively.

SUPPLEMENTARY INFORMATION

CENTER FOR ADDICTION TREATMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Entity Pass-Through Identifying or Other Pass-Through Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Passed-Through the State of Ohio Hamilton County Mental Health and Recovery Services Board				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	31-2000C	$ -	$ 812,357
Opioid STR	93.788	31-2000C	-	138,526
Total Expenditures of Federal Awards			$ -	$ 950,883

See accompanying notes to the schedule of expenditures of federal awards.

CENTER FOR ADDICTION TREATMENT, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Center for Addiction Treatment, Inc. under programs of the federal government for the year ended June 30, 2019. 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 Center for Addiction Treatment, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Center for Addiction Treatment, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Center for Addiction Treatment, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

The Board of Directors
Center for Addiction Treatment, Inc.
Cincinnati, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Center for Addiction Treatment, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon February 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Center for Addiction Treatment, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Center for Addiction Treatment, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Center for Addiction Treatment, Inc.'s internal control.

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

Our consideration of 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. Findings 2019-001 Preparation of the Schedule of Expenditures of Federal Awards.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Center for Addiction Treatment, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Center for Addiction Treatment, Inc.'s Response to Findings

Center for Addiction Treatment, Inc.'s responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Center for Addiction Treatment, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center for Addiction Treatment, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Center for Addiction Treatment, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VonLehman & Company Inc.

Fort Wright, Kentucky
February 14, 2020

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

The Board of Directors
Center for Addiction Treatment, Inc.
Cincinnati, Ohio

Report on Compliance for Each Major Federal Program

We have audited Center for Addiction Treatment, Inc.'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 Center for Addiction Treatment, Inc.'s major federal programs for the year ended June 30, 2019. Center for Addiction Treatment, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Managements' Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Center for Addiction Treatment, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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; 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 Uniform Guidance require that we 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 Center for Addiction Treatment, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Center for Addiction Treatment, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Center for Addiction Treatment, Inc. 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 June 30, 2019.

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Report on Internal Control Over Compliance

Management of Center for Addiction Treatment, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Center for Addiction Treatment, Inc.'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Center for Addiction Treatment, Inc.'s 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 a 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we 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 our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

VonLehman & Company Inc.

Fort Wright, Kentucky
February 14, 2020

CENTER FOR ADDICTION TREATMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Noted
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	No
Identification of major programs:	Department of Health and Human Services: Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959)
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2019-001 Preparation of the Schedule of Expenditures of Federal Awards

Criteria: Per CFR 200.510 “The auditee must also prepare a schedule of expenditure of Federal awards expended as determined in accordance with CFR 200.502 Basis for determining Federal awards expended.”

Condition: For the fiscal year ended June 30, 2019, new controls were not implemented to around ensuring all federal funding from all sources are properly identified. Although it was not noted there was funding excluded from the schedule of expenditures of federal awards during our review the Center did not implement new processes as recommended to reduce the likelihood of a misstated schedule of federal expenditures.

Cause: Center for Addiction Treatment, Inc. does not have proper controls in place to identify Federal awards and create a schedule of expenditures of federal awards.

Effect: With the absence of proper controls in place to identify grants as Federal awards, the Finance department will not be notified that there is an existence of a Federal award and therefore the expenditures associated will not be included in the schedule of expenditures of Federal awards. An additional effect could also be that the grant requirements in the award would not be followed.

Repeat Finding: This is a repeat finding.

Recommendation: We recommend Center for Addiction Treatment, Inc.’s management obtain proper training on federal funding requirements and identify proper controls to put in place and follow so that all Federal grants are identified, tracked, and reported properly from all funding sources.

Views of Responsible Officials and Planned Corrective Actions: Center for Addiction Treatment, Inc.’s management agrees with the finding and will determine during the year ending June 30, 2020 the best course of action for Center for Addiction Treatment, Inc. to effectively review grant documents and identify federal funding in order to accurately prepare a schedule of expenditure of Federal awards.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

CENTER FOR ADDICTION TREATMENT, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

PRIOR YEAR - FINANCIAL STATEMENT FINDINGS

Finding 2018-001 Preparation of the Schedule of Expenditures of Federal Awards

Condition: For the fiscal year ended June 30, 2018, the schedule of expenditures of Federal awards was not completed.

Recommendation: We recommend Center for Addiction Treatment, Inc.'s management obtain proper training on federal funding requirements and identify proper controls to put in place and follow so that all Federal grants are identified, tracked, and reported properly.

Current Status: In the current year Center for Addiction Treatment, Inc. prepared the schedule of expenditures of federal awards but there was no control for monitoring identified. This was a repeat finding for the year ended June 30, 2019 as a significant deficiency.

Finding 2018-002 Billing and Collection for Services Provided

Condition: Currently, Medicaid bills are not being processed timely and payments are not being posted against the outstanding receivable balance.

Recommendation: We recommend that procedures should be implemented that identify proper controls to ensure Medicaid billings are completed within required timeframes, payments are posted promptly to outstanding receivable balances, unpaid invoices be followed up on within required timeframes, and outstanding balances are reconciled to the general ledger at least on a monthly basis.

Current Status: This was not a repeat finding for the year ended June 30, 2019.

PRIOR YEAR - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.