



**MUSKOGEE ORGANIZATION FOR NARCOTIC AND
ALCOHOL REFERRAL COUNSELING AND HELP, INC.**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2016



Clothier & Company CPA's P.C.

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MONARCH, Inc.
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June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Muskogee Organization for Narcotic and Alcohol
Referral Counseling and Help, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Muskogee Organization for Narcotic and Alcohol Referral Counseling and Help, Inc. (MONARCH) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statement of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of 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, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Muskogee Organization for Narcotic and Alcohol Referral Counseling and Help, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *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 audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Supplementary Information

The budgetary comparison on pages 17 and 18 are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In Accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, on our consideration of MONARCH'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 MONARCH's internal control over financial reporting and compliance.



Clothier & Company CPA's
December 13, 2016

MONARCH, Inc.
Statement of Financial Position
June 30, 2016

ASSETS

Current Assets

| | |
|---------------------------|------------|
| Cash and cash equivalents | \$ 489,542 |
| Accounts receivable | 78,621 |
| Prepaid expenses | 18,470 |

| | |
|-----------------------------|----------------|
| Total Current Assets | 586,633 |
|-----------------------------|----------------|

Fixed Assets

| | |
|--------------------------|-----------|
| Land | 65,804 |
| Fixed assets | 1,922,294 |
| Accumulated depreciation | (974,966) |

| | |
|---------------------------|------------------|
| Total Fixed Assets | 1,013,132 |
|---------------------------|------------------|

Other Assets

| | |
|--------------------------|---------|
| Loan closing costs | 3,660 |
| Accumulated amortization | (2,837) |
| Restricted cash | 0 |

| | |
|---------------------------|------------|
| Total Other Assets | 823 |
|---------------------------|------------|

| | |
|---------------------|---------------------|
| Total Assets | \$ 1,600,588 |
|---------------------|---------------------|

LIABILITIES AND NET ASSETS

Current Liabilities

| | |
|-----------------------------------|-----------|
| Accounts payable | \$ 28,323 |
| Accrued wages | 33,602 |
| Accrued vacation wages | 85,084 |
| Payroll tax liabilities | 2,348 |
| Current portion of long term debt | 18,502 |

| | |
|----------------------------------|----------------|
| Total Current Liabilities | 167,859 |
|----------------------------------|----------------|

Long Term Liabilities

| | |
|--------------|---------|
| Note Payable | 187,844 |
|--------------|---------|

| | |
|------------------------------------|----------------|
| Total Long Term Liabilities | 187,844 |
|------------------------------------|----------------|

Net Assets

| | |
|-----------------------------------|-----------|
| Unrestricted net assets | 1,269,376 |
| Temporarily restricted net assets | 0 |
| Increase(decrease) in net assets | (24,491) |

| | |
|-------------------------|------------------|
| Total Net Assets | 1,244,885 |
|-------------------------|------------------|

| | |
|---|---------------------|
| Total Liabilities and Net Assets | \$ 1,600,588 |
|---|---------------------|

See accompanying footnotes and independent auditors' report.

MONARCH, Inc.
Statement of Activities
June 30, 2016

| | |
|---|---------------------------|
| Revenue and Gains | |
| DMHSAS income | \$ 1,697,208 |
| Insure Oklahoma | 41,575 |
| Employment services income | 153,359 |
| Food stamp income | 118,070 |
| Miscellaneous income | 9,624 |
| Interest earned | 1,504 |
| Out Patient Clinic income | 321,832 |
| Tribal income | <u>13,350</u> |
| Total Revenue and Gains | <u>2,356,522</u> |
| Expenses | |
| Program expenses | 2,160,355 |
| Administrative expenses | <u>220,658</u> |
| Total Expenses | <u>2,381,013</u> |
| Increase (Decrease) in Unrestricted Net Assets | (24,491) |
| Increase (Decrease) in Temporarily Restricted Net Assets | 0 |
| Increase (Decrease) in Permanently Restricted Net Assets | <u>0</u> |
| Increase (Decrease) in Net Assets | <u><u>\$ (24,491)</u></u> |

See accompanying footnotes and independent auditors' report.

MONARCH, Inc.
Statement of Cash Flows
June 30, 2016

Cash Flows From Operating Activities:

| | |
|---|----------------|
| Increase in Unrestricted Net Assets | \$ (24,491) |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 78,252 |
| Decrease/(Increase) in: | |
| Accounts receivable | 131,850 |
| Prepaid expense | 6,886 |
| Increase/(Decrease) in: | |
| Accounts payable | (46,952) |
| Accrued salaries | 12,698 |
| Accrued vacation | 5,746 |
| Accrued expenses | (732) |
| Net Cash Provided by Operating Activities | <u>163,257</u> |

Cash Flows From Investing Activities:

| | |
|--|------------------|
| Fixed asset additions | (399,607) |
| Sale of fixed assets | <u>0</u> |
| Net Cash Used by Investing Activities | <u>(399,607)</u> |

Cash Flows From Financing Activities:

| | |
|--|-----------------|
| Proceeds from borrowings | 217,000 |
| Payments on borrowings | <u>(10,654)</u> |
| Net Cash Used by Financing Activities | <u>206,346</u> |

Net Increase/(Decrease) in Cash and Cash Equivalents (30,004)

Cash Balance, June 30, 2014 519,546

Cash Balance, June 30, 2015 \$ 489,542

Supplemental Disclosure of Cash Flow Information:

Cash paid for interest expense \$4,468

See accompanying footnotes and independent auditors' report.

MONARCH, Inc.
Statement of Functional Expenses
June 30, 2016

| | <u>Program</u> | <u>Gen/Admin</u> | <u>Total</u> |
|--|----------------------------|--------------------------|----------------------------|
| Personnel Expenses: | | | |
| Salaries & Wages | \$ 1,457,670 | \$ 161,963 | \$ 1,619,633 |
| Employee Benefits/Insurance | 152,512 | 16,946 | 169,458 |
| Staff Development/Training | 14,325 | 1,590 | 15,915 |
| Total Personnel Expenses | <u>1,624,507</u> | <u>180,499</u> | <u>1,805,006</u> |
| Direct Program Costs: | | | |
| Direct Client Expense | <u>166,407</u> | <u>0</u> | <u>166,407</u> |
| Total Direct Program Costs | 166,407 | 0 | 166,407 |
| Administrative & Office Expenses: | | | |
| Insurance | 57,616 | 6,402 | 64,018 |
| Office/postage | 10,876 | 1,208 | 12,084 |
| Professional fees | 15,231 | 1,692 | 16,923 |
| Equipment/furniture repair | 5,999 | 667 | 6,666 |
| Accounting/auditing | 5,369 | 596 | 5,965 |
| Dues & subscriptions | 2,194 | 244 | 2,438 |
| Miscellaneous | 545 | 61 | 605 |
| CARF certification | 0 | 0 | 0 |
| Advertising | 5,477 | 608 | 6,085 |
| Interest expense | 4,021 | 447 | 4,468 |
| Total Administrative/Office Expenses | <u>107,327</u> | <u>11,925</u> | <u>119,252</u> |
| Occupancy & Maintenance Expenses: | | | |
| Kitchen/Housekeeping Expenses | 27,272 | 3,030 | 30,302 |
| Telephone/utilities | 86,747 | 9,639 | 96,386 |
| Rent Expense - Warner OP | 8,000 | 0 | 8,000 |
| Repairs/maintenance | 33,744 | 3,749 | 37,493 |
| Equipment | 2,808 | 312 | 3,120 |
| Total Occupancy/Maintenance Expenses | <u>158,571</u> | <u>16,730</u> | <u>175,301</u> |
| Transportation Expenses: | | | |
| Vehicle Operating Expenses | <u>33,116</u> | <u>3,679</u> | <u>36,795</u> |
| Total Transportation Expenses | <u>33,116</u> | <u>3,679</u> | <u>36,795</u> |
| Total Expenses | 2,089,928 | 212,833 | 2,302,761 |
| Depreciation/Amortization | 70,427 | 7,825 | 78,252 |
| Total Functional Expenses | <u><u>\$ 2,160,355</u></u> | <u><u>\$ 220,658</u></u> | <u><u>\$ 2,381,013</u></u> |

See accompanying footnotes and independent auditors' report.

MONARCH, INC.
Notes to the Financial Statements
June 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The Muskogee Organization for Narcotic and Alcohol Referral Counseling and Help, Inc. (MONARCH, INC.) is a nonprofit corporation organized December 19, 1983 and existing under the laws of the State of Oklahoma for the purpose of furnishing the necessary facilities, material and qualified personnel to provide alcohol/drug abuse treatment services. MONARCH, INC. began operations February 1, 1984 as an independent contractor operating under an annual fee-for-services contract with the Oklahoma Department of Mental Health and Substance Abuse Services, (the Department). The following is a summary of the more significant accounting policies employed by MONARCH, INC.

Basis of Accounting

The accompanying financial statements of MONARCH, INC. have been prepared on an accrual basis of accounting.

Cash

For the purpose of reporting cash flows, MONARCH, INC. considers all highly liquid instruments with an original maturity of three months or less to be cash.

Fixed Assets

Expenditures for physical properties are stated at cost. Donated assets are recorded at their estimated fair market values at dates of contribution.

Depreciation of physical properties is computed on the straight-line method over the estimated useful lives of the related assets. Expenditures for maintenance and repairs are charged to expenses as incurred. Additions to plant and equipment with a useful life of more than one year and a cost of more than \$500.00 are capitalized.

When assets are retired or otherwise disposed of, the assets and related allowances for depreciation are eliminated from the accounts.

Allocation of Supporting Services Expenditures

Although MONARCH's present purpose is solely the operation of drug and alcohol abuse programs, for financial statement purposes, it allocates its expenses between those directly attributable to programs and management and general expenses. The allocation of each expense is made on the basis considered most appropriate for that element of cost.

Income Taxes

MONARCH, INC. Is a non-profit organization generally exempt from income taxes under Internal Revenue Code Section 501(c)(3).

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

MONARCH, INC.
Notes to the Financial Statements
June 30, 2016

Description of Programs

Residential - Services are provided to adult women who are seeking alcohol/drug treatment services and are in need of a more restrictive environment. Services are provided for a minimum of thirty (30) days with an additional fifteen (15) days focused on relapse prevention. Both individual and group therapies address physical, psychological and social aspects of their lifestyle.

Non-Medical Detoxification - These services are provided to those women in need of detoxification and who will enter either the Residential or Community Living programs.

Community Living (HWH) - Services are provided to pregnant/postpartum women and women with children. This program is designed to assist this population in a less restrictive environment than the residential program. It provides not only alcohol/drug treatment but also prenatal services, parenting skills and other services as needed.

Outpatient - This component has the least restrictive environment. It provides a variety of individual and group processes for clients. MONARCH opened an outpatient clinic in Warner, OK in October 2013.

For the fiscal year ended June 30, 2016, the following services were provided under the contract with the State of Oklahoma Department of Mental Health and Substance Abuse Services:

| | | |
|--------------------------|----|-------------------------|
| Federal Substance Abuse | \$ | 323,433 |
| Federal Women W/Children | | 822,831 |
| State Women W/Children | | 258,120 |
| State Substance Abuse | | <u>292,824</u> |
| Total | \$ | <u><u>1,697,208</u></u> |

Employee Leave

Regular full-time MONARCH employees accrue Paid Time Off (PTO) from the date of hire. No other classification of employee will earn PTO.

Accrual of PTO is dependent upon the number of years of service to MONARCH during full-time employment and the amount earned is prorated each month by the schedule below. PTO accrual will not be earned on paid extended illness leave, on-call hours, or during any other leave without pay.

Upon termination from employment, the full-time employee who has successfully completed one year of continuous employment will be paid for all earned PTO on record. An employee who voluntarily or involuntarily leaves the agency before completion of one year of continuous employment will not be paid for accumulated PTO.

For employees that have been employed with MONARCH for less than eight (8) years, PTO may not accrue beyond 240 accumulated hours. For employees that have been employed with MONARCH for 10 years, PTO may not accrue beyond 280 hours. As of June 30, 2016 MONARCH had \$85,084 in accrued leave.

MONARCH, INC.
Notes to the Financial Statements
June 30, 2016

| <u>Years of Employment</u> | <u>Accrual Rate</u> | |
|----------------------------|---------------------|---------|
| 0 through 2 years | 120 hours | 15 days |
| 2 through 5 years | 144 hours | 18 days |
| 5 through 8 years | 168 hours | 21 days |
| 8 through 10 years | 192 hours | 24 days |
| 10 years and up | 216 hours | 27 days |

2. SERVICE CONTRACTS

For the fiscal year ended June 30, 2016, MONARCH INC. entered the fee-for-service contracts that are set out in the accompanying schedule of federal and state financial assistance.

3. ACCOUNTS RECEIVABLE

Accounts receivable balance at June 30, 2016 consists of the following:

| | <u>Current</u> | <u>31-60 Days</u> | <u>61-90 Days</u> | <u>91+ Days</u> | <u>TOTAL</u> |
|---------------------|----------------|-------------------|-------------------|-----------------|---------------|
| DMHSAS | 56,520 | 0 | 0 | 0 | 56,520 |
| Outpatient Clinic | 12,073 | 0 | 0 | 0 | 12,073 |
| Employment Services | 5,779 | 0 | 0 | 4,250 | 10,029 |
| | <u>74,371</u> | <u>0</u> | <u>0</u> | <u>4,250</u> | <u>78,621</u> |

MONARCH, INC. doesn't record an allowance for doubtful accounts because their main source of income is from state and federal grants. All receivables as of June 30, 2016 were collected within 60 days of the year end.

4. FURNITURE AND EQUIPMENT

Both the autos and fixtures are depreciated on a 5 year life, while the buildings are on a 20 year life. The following is a summary of the property, plant and equipment accounts at June 30, 2016:

| | <u>Cost</u> | | <u>Book</u> | |
|-------------------|--------------------|----------------------|--------------------|--------------------|
| | <u>Basis</u> | <u>Additions/</u> | <u>Value</u> | |
| | <u>6/30/15</u> | <u>Deletions</u> | <u>6/30/16</u> | |
| | | <u>Accumulated</u> | | |
| | | <u>Depreciation/</u> | | |
| Land/Improvements | \$61,622 | \$4,182 | (\$105) | \$65,699 |
| Fixed Assets | 1,526,869 | 395,425 | (974,861) | 947,433 |
| | <u>\$1,588,491</u> | <u>\$399,607</u> | <u>(\$974,966)</u> | <u>\$1,013,132</u> |

MONARCH, INC.
Notes to the Financial Statements
June 30, 2016

5. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. CASH

At June 30, 2016, the cash balance of \$489,542 of which \$250,000 is insured by the Federal Deposit Insurance Corporation. The balance of \$236,542 is covered by secured deposits.

7. CONCENTRATION OF REVENUE

The majority of MONARCH, INC. revenues (72.02%) result directly or indirectly from its annual contract with the State of Oklahoma Department of Mental Health and Substance Abuse Services. While these funds are expected to be available in future years, the State has no obligation to fund these programs beyond June 30, 2016.

8. LONG TERM DEBT

MONARCH took out a loan in the amount of \$217,000 from Armstrong Bank on November 16, 2015 to purchase the Warner Outpatient Clinic property. The purchase price was \$310,000 plus \$3,190 in closing costs. MONARCH made a down payment of \$96,190. The monthly payments are \$2,160.26 and the annual interest rate is 3.59% until paid in full. At June 30, 2016 the balance owed was \$206,346.

The following is the current maturities and debt service schedule.

| | Current Maturities | Debt Service |
|-----------|-----------------------|-----------------|
| 2017 | \$18,502 | \$25,923 |
| 2018 | 19,208 | 25,923 |
| 2019 | 19,941 | 25,923 |
| 2020 | 20,702 | 25,923 |
| 2021 | 21,492 | 25,923 |
| 2022-2026 | 106,501 | 130,933 |
| | \$206,346 | \$260,548 |

MONARCH also has a \$250,000 line of credit with Armstrong Bank. As of June 30, 2016 they hadn't made a withdrawal.

8. EVALUATION OF SUBSEQUENT EVENTS

MONARCH'S purchased the building at 2400 West Broadway on October 17, 2016 in order to use for the employment services and additional outpatient offices. The building was purchased for \$158,000 with a loan from Armstrong Bank. Management has evaluated subsequent events through the date which the financial statements were available to be issued and found no other items that needed disclosed.



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors of
Muskogee Organization for Narcotic and Alcohol
Referral Counseling and Help, Inc.
Muskogee, Oklahoma

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 Muskogee Organization for Narcotic and Alcohol Referral Counseling and Help, Inc. (MONARCH) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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 our report thereon dated December 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MONARCH's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MONARCH's internal control. Accordingly, we 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and no 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. According, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Clothier & Company CPA's".

Clothier & Company, CPA's, P.C.
December 13, 2016

SUPPLEMENTAL INFORMATION

MONARCH, Inc.
Schedule of Federal and State Awards
June 30, 2016

Federal Awards:

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Award Amount | Revenue Recognized | Expenditures |
|---|------------------------|-------------------------|-------------------------------|---------------------|
| U. S. Department of Health and Human Services | | | | |
| Department of Mental Health & Substance Abuse Services | | | | |
| Substance Abuse Prevention & Treatment Block Grant | | | | |
| | 93.959 ◆ | 1,146,264 | 1,146,264 | |
| | 93.558 | 0 | 0 | |
| | 93.243 | 0 | 0 | |
| | 16.585 | 0 | 0 | |
| Total Federal Awards | | 1,146,264 | 1,146,264 | |

State Awards:

| State Grantor/Program Title | | | | |
|--|--|-------------|-------------|-------------|
| Department of Mental Health & Substance Abuse Services | | | | |
| | | 0 | 0 | |
| | | 550,944 | 550,944 | |
| Total State Awards | | 550,944 | 550,944 | |
| Totals | | \$1,697,208 | \$1,697,208 | \$2,160,961 |

◆ Major Program

See notes and independent auditors' report.

MONARCH, Inc.
Budgetary Comparison
June 30, 2016

| | Original Budget | Final Budget | Actual | Variance |
|--|----------------------------|-------------------------|------------------|-----------------|
| Revenues: | | | | |
| DMHSAS - Fed General Detox (02) | \$323,433 | \$323,433 | 323,433 | \$0 |
| DMHSAS - Fed WWC Detox (23) | 822,831 | 822,831 | 822,831 | 0 |
| DMHSAS - State WWC Detox (23) | 375,578 | 375,578 | 258,120 | 117,458 |
| DMHSAS - State Gen Detox (02) | 355,909 | 355,909 | 292,824 | 63,085 |
| DMHSAS - Resident. Trt. Drug Ct | 217,500 | 217,500 | 321,832 | (104,332) |
| Food Stamp | 126,000 | 126,000 | 118,070 | 7,930 |
| Donations | 3,000 | 3,000 | 9,624 | (6,624) |
| Interest Income | 1,200 | 1,200 | 1,504 | (304) |
| Insure Oklahoma | 30,000 | 30,000 | 41,575 | (11,575) |
| Employment Services Income | 132,000 | 132,000 | 153,359 | (21,359) |
| Tribal Income | 0 | 0 | 13,350 | (13,350) |
| Miscellaneous | 0 | 0 | - | 0 |
| Total Revenue | <u>\$2,387,451</u> | <u>\$2,387,451</u> | <u>2,356,522</u> | <u>\$30,929</u> |
| Expenses: | | | | |
| Program Cost Expenses: | | | | |
| Direct Client Expense | \$21,600 | \$21,600 | \$166,407 | (\$144,807) |
| Medical Expenses | 7,800 | 7,800 | 0 | 7,800 |
| Food and Beverage Expense | 158,000 | 158,000 | 0 | 158,000 |
| Less: Employee Meals | (600) | (600) | 0 | (600) |
| Total Program Costs | <u>186,800</u> | <u>186,800</u> | <u>166,407</u> | <u>20,393</u> |
| Contract Services | | | | |
| Accounting/Auditing Fees | 7,000 | 7,000 | 5,965 | 1,035 |
| Professional fee | 9,000 | 9,000 | 16,923 | (7,923) |
| Total Contract Services | <u>16,000</u> | <u>16,000</u> | <u>22,888</u> | <u>(6,888)</u> |
| Occupancy & Maintenance Expenses: | | | | |
| Housekeeping & Kitchen Supplies | 36,000 | 36,000 | 30,302 | 5,698 |
| Insurance - Building | 15,597 | 15,597 | 14,557 | 1,040 |
| Maintenance & Repairs | 24,000 | 24,000 | 37,493 | (13,493) |
| Rent Expense-Warner | 24,000 | 24,000 | 8,000 | 16,000 |
| Security/Exterminating Services | 5,000 | 5,000 | 0 | 5,000 |
| Interest Expense | 0 | 0 | 4,468 | (4,468) |
| Utilities | 78,500 | 78,500 | 69,870 | 8,630 |
| Total Occupancy & Maintenance | <u>183,097</u> | <u>183,097</u> | <u>164,690</u> | <u>18,407</u> |
| Administrative & Office Expenses: | | | | |
| Advertising & Promotional | 7,200 | 7,200 | 6,085 | 1,115 |
| Bank Service Charges & Fees | 1,149 | 1,149 | 0 | 1,149 |

See notes and independent auditors' report.

| | | | | |
|-----------------------------------|------------------|------------------|-------------------|-------------------|
| Board of Directors | 1,800 | 1,800 | 0 | 1,800 |
| Dues & Membership Expense | 2,569 | 2,569 | 2,438 | 131 |
| Equipment Lease | 6,000 | 6,000 | 6,666 | (666) |
| Depreciation/Amortization Expense | 0 | 0 | 78,252 | (78,252) |
| Insurance | 12,024 | 12,024 | 11,247 | 777 |
| CARF Certification | 0 | 0 | 0 | 0 |
| Clinical Software/Support | 3,120 | 3,120 | 3,120 | 0 |
| Repairs & Maintenance-Equip | 8,400 | 8,400 | 0 | 8,400 |
| Miscellaneous Expense | 1,200 | 1,200 | 605 | 595 |
| Office Supplies/postage | 14,265 | 14,265 | 12,084 | 2,181 |
| Telephone/Internet/Cell | 28,200 | 28,200 | 26,516 | 1,684 |
| Total Administrative & Office | <u>85,927</u> | <u>85,927</u> | <u>147,013</u> | <u>(61,086)</u> |
| Insurance-Workers Comp | 183,696 | 183,696 | 169,458 | 14,238 |
| Salaries & Wages | 31,200 | 31,200 | 38,214 | (7,014) |
| Staff Development/Training/Other | 1,590,404 | 1,590,404 | 1,619,633 | (29,229) |
| Total Personnel Expenses | <u>16,400</u> | <u>16,400</u> | <u>15,915</u> | <u>485</u> |
| | <u>1,821,700</u> | <u>1,821,700</u> | <u>1,843,220</u> | <u>(21,520)</u> |
| Transportation Expenses: | | | | |
| Vehicle Expenses | 49,021 | 49,021 | 36,795 | 12,226 |
| Total Transportation | <u>49,021</u> | <u>49,021</u> | <u>36,795</u> | <u>12,226</u> |
| Total Expenses | <u>2,342,545</u> | <u>2,342,545</u> | <u>2,381,013</u> | <u>(38,468)</u> |
| Net Revenue Over (Under) | | | | |
| Expenses | <u>\$44,906</u> | <u>\$44,906</u> | <u>(\$24,491)</u> | <u>(\$69,397)</u> |

See notes and independent auditors' report.



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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by The Uniform Guidance

To the Board of Directors of
Muskogee Organization for Narcotic and Alcohol
Referral Counseling and Help, Inc.
Muskogee, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Muskogee Organization for Narcotic and Alcohol Referral Counseling and Help, Inc.'s (MONARCH) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MONARCH's major federal programs for the year ended June 30, 2016. MONARCH'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 compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of MONARCH'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; and the audit requirements of title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those Standards and the Uniform Guidance require that 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 MONARCH'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 MONARCH's compliance.

Opinion on Each Major Federal Program

In our opinion, Muskogee Organization for Narcotic and Alcohol Referral Counseling and Help, Inc. complied, in all material respects, with the 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, 2016.

Report on Internal Control Over Compliance

Management of MONARCH is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered MONARCH's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MONARCH'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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 the 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 The Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of MONARCH as of and for the year ended June 30, 2016, and have issued our report thereon dated December 13, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial

statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal and state awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Clothier & Company CPA's

Clothier & Company CPA's
December 13, 2016

MONARCH, Inc.
Schedule of Findings and Questioned Costs
For the Period Ending June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? ___ yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR section 200.516(a) ___ yes X no

CFDA Number(s)
93.959

Name of Federal Program of Cluster
U.S. Department of Health and Human Services, Department of
Mental Health & Substance Abuse Services Substance Abuse
Block Grant

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes ___ no

Section II – Financial Statements Findings

No findings.

Section III – Federal Award Findings and Questioned Costs

No findings.