



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

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2018 and 2017



Clothier & Company CPA's P.C.

P.O. Box 1495 * Muskogee, Ok 74402
(918) 687-0189 FAX (918) 687-3594
cccpa@yahoo.com

MONARCH, Inc.
Table of Contents
June 30, 2018 and 2017

<u>Description</u>	<u>Pg. No.</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to the Financial Statements	7-11
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	12-13
Supplemental Information	14
Schedule of Federal and State Awards	15
Budgetary Comparison	16-17
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	18-20
Schedule of Findings and Questioned Costs	21



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cccpa@yahoo.com

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Muskogee, Oklahoma 74402
918-687-0189 FAX 918-687-3594

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, 2018 and 2017, and the related statement of activities, functional expense, 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MONARCH as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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 16 and 17 are the responsibility of management and was derived from and relates 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 November 21, 2018, 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
November 21, 2018

MONARCH, Inc.
Statement of Financial Position
June 30, 2018 and 2017

ASSETS

Current Assets	2018	2017
Cash and cash equivalents	\$ 390,658	\$ 447,158
Accounts receivable	160,568	169,604
Prepaid expenses	19,391	8,201
Total Current Assets	<u>570,617</u>	<u>624,963</u>
Fixed Assets		
Land	73,549	70,469
Building/improvements	1,596,553	1,586,699
Equipment	321,457	318,856
Venicles	189,501	189,501
Accumulated depreciation	(1,169,474)	(1,072,345)
Total Fixed Assets	<u>1,011,586</u>	<u>1,093,180</u>
Other Assets		
Loan closing costs	3,660	3,660
Accumulated amortization	(3,569)	(3,203)
Restricted cash	0	0
Total Other Assets	<u>91</u>	<u>457</u>
Total Assets	<u>\$ 1,582,294</u>	<u>\$ 1,718,600</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 45,861	\$ 43,020
Accrued wages	38,861	34,020
Accrued vacation wages	85,626	81,069
Payroll tax liabilities	1,683	2,706
Current portion of long term debt	31,728	30,579
Total Current Liabilities	<u>203,759</u>	<u>191,394</u>
Long Term Liabilities		
Note Payable	248,468	280,279
Total Long Term Liabilities	<u>248,468</u>	<u>280,279</u>
Net Assets		
Unrestricted net assets	1,246,927	1,244,885
Temporarily restricted net assets	0	0
Increase(decrease) in net assets	(116,860)	2,042
Total Net Assets	<u>1,130,067</u>	<u>1,246,927</u>
Total Liabilities and Net Assets	<u>\$ 1,582,294</u>	<u>\$ 1,718,600</u>

See accompanying footnotes and independent auditors' report.

MONARCH, Inc.
Statement of Activities
June 30, 2018 and 2017

Revenue and Gains	2018	2017
DMHSAS income	\$ 1,697,208	\$ 1,730,371
Insure Oklahoma	38,004	36,233
Employment services income	57,433	91,136
Food stamp income	118,899	118,276
Miscellaneous income	31,139	22,464
Interest earned	1,375	1,046
Out Patient Clinic income	294,721	304,563
Tribal income	42,255	35,504
	<hr/>	<hr/>
Total Revenue and Gains	2,281,034	2,339,593
	<hr/>	<hr/>
Expenses		
Program expenses	2,176,087	2,122,038
Administrative expenses	221,807	215,513
	<hr/>	<hr/>
Total Expenses	2,397,894	2,337,551
	<hr/>	<hr/>
Increase (Decrease) in Unrestricted Net Assets	(116,860)	2,042
Increase (Decrease) in Temporarily Restricted Net Assets	0	0
Increase (Decrease) in Permanently Restricted Net Assets	0	0
	<hr/>	<hr/>
Increase (Decrease) in Net Assets	\$ (116,860)	\$ 2,042
	<hr/> <hr/>	<hr/> <hr/>

See accompanying footnotes and independent auditors' report.

MONARCH, Inc.
Statement of Cash Flows
June 30, 2018 and 2017

Cash Flows From Operating Activities:	2018	2017
Increase/(Decrease) in Unrestricted Net Assets	\$ (116,860)	\$ 2,042
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	97,495	97,745
Decrease/(Increase) in:		
Accounts receivable	9,036	(90,983)
Prepaid expense	(12,213)	10,269
Increase/(Decrease) in:		
Accounts payable	2,841	19,830
Accrued salaries	4,841	418
Accrued vacation	4,557	(4,015)
Accrued expenses	0	358
Net Cash Provided by Operating Activities	<u>(10,303)</u>	<u>35,664</u>
 Cash Flows From Investing Activities:		
Fixed asset additions	(15,535)	(51,940)
Sale of fixed assets	0	0
Net Cash Used by Investing Activities	<u>(15,535)</u>	<u>(51,940)</u>
 Cash Flows From Financing Activities:		
Payments on borrowings	<u>(30,662)</u>	<u>(26,108)</u>
Net Cash Used by Financing Activities	<u>(30,662)</u>	<u>(26,108)</u>
 Net Increase/(Decrease) in Cash and Cash Equivalents	(56,500)	(42,384)
 Cash Balance, June 30, 2017 and 2016	<u>447,158</u>	<u>489,542</u>
 Cash Balance, June 30, 2018 and 2017	<u>\$ 390,658</u>	<u>\$ 447,158</u>
 Supplemental Disclosure of Cash Flow Information:		
 Cash paid for interest expense	<u>\$ 10,866</u>	<u>\$ 10,218</u>

See accompanying footnotes and independent auditors' report.

MONARCH, Inc.
Statement of Functional Expenses
June 30, 2018 and 2017

	2018			2017
	<u>Program</u>	<u>Gen/Admin</u>	<u>Total</u>	<u>Total</u>
Personnel Expenses:				
Salaries & Wages	\$ 1,411,214	\$ 156,802	\$ 1,568,015	\$ 1,510,743
Employee Benefits/Insurance	146,219	16,247	162,466	165,009
Staff Development/Training	11,488	1,275	12,764	12,690
Total Personnel Expenses	<u>1,568,921</u>	<u>174,324</u>	<u>1,743,245</u>	<u>1,688,442</u>
Direct Program Costs:				
Direct Client Expense	179,807	0	179,807	182,381
Total Direct Program Costs	<u>179,807</u>	<u>0</u>	<u>179,807</u>	<u>182,381</u>
Administrative & Office Expenses:				
Insurance	49,129	5,459	54,588	59,352
Office/postage	9,212	1,024	10,236	17,102
Professional fees	34,043	3,783	37,826	39,075
Equipment/furniture repair	7,211	801	8,012	7,951
Accounting/auditing	5,622	625	6,247	6,646
Dues & subscriptions	2,756	306	3,062	2,572
Miscellaneous	54	6	60	956
CARF certification	6,908	767	7,675	0
Advertising	4,415	491	4,906	8,775
Interest expense	9,779	1,087	10,866	10,218
Total Administrative/Office Expenses	<u>129,130</u>	<u>14,347</u>	<u>143,478</u>	<u>152,647</u>
Occupancy & Maintenance Expenses:				
Kitchen/Housekeeping Expenses	33,503	3,723	37,226	33,207
Telephone/utilities	104,634	11,626	116,260	104,945
Repairs/maintenance	39,002	4,334	43,336	45,192
Equipment	2,727	303	3,030	3,120
Total Occupancy/Maintenance Expenses	<u>179,867</u>	<u>19,985</u>	<u>199,852</u>	<u>186,464</u>
Transportation Expenses:				
Vehicle Operating Expenses	30,616	3,401	34,017	29,872
Total Transportation Expenses	<u>30,616</u>	<u>3,401</u>	<u>34,017</u>	<u>29,872</u>
Total Expenses	2,088,341	212,057	2,300,399	2,239,806
Depreciation/Amortization	87,746	9,750	97,495	97,745
Total Functional Expenses	<u>\$ 2,176,087</u>	<u>\$ 221,807</u>	<u>\$ 2,397,894</u>	<u>\$ 2,337,551</u>

See accompanying footnotes and independent auditors' report.

MONARCH, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

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 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

MONARCH, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017, the following services were provided under the contract with the State of Oklahoma Department of Mental Health and Substance Abuse Services:

	2018	2017
Federal Substance Abuse	\$ 323,433	\$ 323,433
Federal Women W/Children	822,831	822,831
State Women W/Children	258,120	277,821
State Substance Abuse	292,824	306,286
Total	\$ 1,697,208	\$ 1,730,371

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.

MONARCH, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

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, 2018 MONARCH had \$85,626 in accrued leave and \$81,069 in 2017.

Years of Employment	Accrual Rate	
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, 2018, 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, 2018 and 2017 consists of the following:

	Current	31-60 Days	61-90 Days	91+ Days	TOTAL	2017 TOTAL
DMHSAS	145,357	0	0	0	145,357	146,054
Outpatient Clinic	11,763	0	0	0	11,763	12,411
Employment Services	3,448	0	0	0	3,448	11,139
	160,568	0	0	0	160,568	169,604

MONARCH, INC. doesn't record an allowance for doubtful accounts because their main source of income is from state and federal contracts. All receivables as of June 30, 2018 were collected within 60 days of the year end.

MONARCH, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017:

	Cost Basis 6/30/17	Additions/ Deletions	Accumulated Depreciation	Book Value 6/30/18	Book Value 6/30/17
Land/Improvements	\$ 70,469	\$ 3,080	\$ (1,184)	\$ 72,365	\$ 69,961
Building/Improvements	1,586,699	9,854	(747,342)	849,211	889,413
Equipment	318,856	2,601	(270,744)	50,713	73,909
Vehicles	189,501	0	(150,204)	39,297	59,897
	<u>\$ 2,165,525</u>	<u>\$ 15,535</u>	<u>\$ (1,169,474)</u>	<u>\$ 1,011,586</u>	<u>\$ 1,093,180</u>

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, 2018, the cash balance of \$390,658 included \$129,921 insured by the Federal Deposit Insurance Corporation and \$278,673 covered by secured deposits in a ICS or Insured Cash Sweep service account. In 2017, the cash balance of \$447,158 included \$168,420 insured by the Federal Deposit Insurance Corporation and \$277,838 covered by secured deposits in a ICS or Insured Cash Sweep service account.

7. CONCENTRATION OF REVENUE

The majority of MONARCH, INC. revenues, 72.54% in 2018, and 73.67% in 2017, 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, 2018

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, 2017 the balance owed was \$187,605 and at June 30, 2018 the principal balance was paid down to \$168,223.

MONARCH, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

On October 17, 2016 MONARCH took out a loan in the amount of \$130,619.65 to purchase the property at 2400 West Broadway Street, which is across 24th Street from the main campus. The purchase price was \$158,000 with a down payment of \$30,600 and the loan for \$125,486.45 plus \$5,133.20 in closing costs. The monthly payments are \$1,300.32 for 120 months at 3.59% interest until paid in full. At June 30, 2017 the balance owed was \$123,253 and at June 30, 2018 the principal balance was paid down to \$111,973.

The following is the current maturities and debt service schedule.

		Current Maturities		Debt Service
2019	\$	31,728	\$	41,527
2020		32,905		41,527
2021		34,154		41,527
2022		35,435		41,527
2023		36,766		41,527
2024-2026		109,208		115,257
	\$	280,196	\$	322,892

MONARCH also has a \$250,000 line of credit with Armstrong Bank. No withdrawals were made during 2017 or 2018.

8. EVALUATION OF SUBSEQUENT EVENTS

ODMHSAS announced in July 2018 that the day rate for Residential services will increase from \$74 to \$85 effective August 1, 2018. MONARCH, Inc. was awarded \$2,000 from the Exchange Club in July 2018. In August 2018, the Residential program gained a new source of revenue for MONARCH by signing a contract with Community Sentencing and Prevention, and management will be incorporating a new time clock system for the Inpatient facilities. In September, the board approved to set aside \$30,000 to replace the heat and air unit at the Halfway House (priced at \$6,125), potentially replace a roof on one of MONARCH's buildings, and to replace the old fence at the Broadway location. No other events were found.



Clothier & Company CPA's P.C.
cccpa@yahoo.com

P. O. Box 1495
Muskogee, Oklahoma 74402
918-687-0189 FAX 918-687-3594

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, 2018, 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 November 21, 2018.

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

Purpose of this Report

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



Clothier & Company, CPA's, P.C.
November 21, 2018

SUPPLEMENTAL INFORMATION

MONARCH, Inc.
Schedule of Federal and State Awards
June 30, 2018

Federal Awards:

	CFDA Number	Award Amount	Revenue Recognized	Expenditures
Federal Grantor/Pass-Through Grantor/Program Title				
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	
TANF	93.558	0	0	
Children Affected by Methamphetamine	93.243	0	0	
Drug Court Discretionary Program	16.585	0	0	
		1,146,264	1,146,264	
Total Federal Awards		1,146,264	1,146,264	

State Awards:

State Grantor/Program Title				
Department of Mental Health & Substance Abuse Services				
Drug Court		0	0	
Substance Abuse		550,944	550,944	
		550,944	550,944	
Total State Awards		550,944	550,944	
Totals		\$1,697,208	\$1,697,208	\$2,176,087

◆ Major Program

See notes and independent auditors' report.

MONARCH, Inc.
Budgetary Comparison
June 30, 2018

	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)	258,120	258,120	258,120	0
DMHSAS - State Gen Detox (02)	292,824	292,824	292,824	0
DMHSAS - Resident. Trt. Drug Ct	270,000	270,000	294,721	(24,721)
Food Stamp	132,000	132,000	118,899	13,101
Donations	21,500	21,500	31,139	(9,639)
Interest Income	1,080	1,080	1,375	(295)
Insure Oklahoma	36,000	36,000	38,004	(2,004)
Employment Services Income	127,003	127,003	57,433	69,570
Tribal Income	10,000	10,000	42,255	(32,255)
Miscellaneous	0	0	0	0
Total Revenue	<u>\$ 2,294,791</u>	<u>\$ 2,294,791</u>	<u>\$ 2,281,034</u>	<u>\$ 13,757</u>
Expenses:				
Program Cost Expenses:				
Direct Client Expense	\$18,100	\$18,100	\$179,807	(\$161,707)
Advertising/Marketing	0	0	4,415	(4,415)
Medical Expenses	9,000	9,000	0	9,000
Food and Beverage Expense	156,000	156,000	0	156,000
Less: Employee Meals	0	0	0	0
Total Program Costs	<u>183,100</u>	<u>183,100</u>	<u>184,222</u>	<u>(1,122)</u>
Contract Services				
Accounting/Auditing Fees	7,000	7,000	6,247	753
Professional fee	45,000	45,000	37,826	7,174
Total Contract Services	<u>52,000</u>	<u>52,000</u>	<u>44,073</u>	<u>7,927</u>
Occupancy & Maintenance Expenses:				
Housekeeping & Kitchen Supplies	32,400	32,400	37,226	(4,826)
Insurance - Building	20,639	20,639	19,482	1,157
Maintenance & Repairs	24,000	24,000	43,336	(19,336)
Rent Expense-Warner	0	0	0	0
Security/Exterminating Services	7,650	7,650	0	7,650
Utilities	75,100	75,100	104,634	(29,534)
Total Occupancy & Maintenance	<u>159,789</u>	<u>159,789</u>	<u>204,678</u>	<u>(44,889)</u>

See notes and independent auditors' report.

Administrative & Office Expenses:

Advertising & Promotional	7,200	7,200	491	6,709
Bank Service Charges & Fees	750	750	0	750
Board of Directors	1,800	1,800	0	1,800
Dues & Membership Expense	2,567	2,567	3,062	(495)
Equipment Lease	7,224	7,224	0	7,224
Depreciation/Amortization Expense	0	0	97,495	(97,495)
Insurance	12,183	12,183	9,140	3,043
Interest Expense	13,200	13,200	10,866	2,334
CARF Certification	8,500	8,500	7,675	825
Clinical Software/Support	3,120	3,120	3,030	90
Repairs & Maintenance-Equip	6,000	6,000	8,012	(2,012)
Miscellaneous Expense	1,200	1,200	60	1,140
Office Supplies/postage	12,120	12,120	10,236	1,884
Telephone/Internet/Cell	36,000	36,000	11,626	24,374
Total Administrative & Office	111,864	111,864	161,693	(49,829)

Insurance-Workers Comp	195,150	195,150	162,466	32,684
Salaries & Wages	32,500	32,500	25,966	6,534
Staff Development/Training/Other	1,508,226	1,508,226	1,568,015	(59,789)
Total Personnel Expenses	11,820	11,820	12,764	(944)
	1,747,696	1,747,696	1,769,211	(21,515)

Transportation Expenses:

Vehicle Expenses	35,060	35,060	34,017	1,043
Total Transportation	35,060	35,060	34,017	1,043

Total Expenses	2,289,510	2,289,510	2,397,894	(108,384)
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Net Revenue Over (Under)

Expenses	\$ 5,281	\$ 5,281	\$ (116,860)	\$ (122,142)
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See notes and independent auditors' report.



Clothier & Company CPA's P.C.
cccpa@yahoo.com

P.O. Box 1495
Muskogee, Oklahoma 74402
918-687-0189 FAX 918-687-3594

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, 2018. 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, MONARCH 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 years ended June 30, 2018.

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 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 years ended June 30, 2018 and 2017, and have issued our report thereon dated November 21, 2018, 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
November 21, 2018

MONARCH, Inc.
Schedule of Findings and Questioned Costs
For the Period Ending June 30, 2018 and 2017

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
93.959	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.