

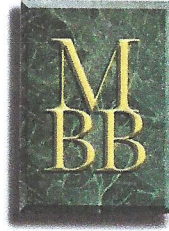
# Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

## **COMMUNITIES FOR RECOVERY**

### INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2019



Montemayor Britton Bender PC  
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Communities for Recovery

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Communities for Recovery (CforR), which comprise the statement of financial position as of 31 December 2019 and the related statements of activities, cash flows, and functional expenses 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 of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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 CforR as of 31 December 2019, 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.

*Montemayor Britton Bender PC*

20 August 2020  
Austin, Texas

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# COMMUNITIES FOR RECOVERY

## STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2019

### ASSETS

#### CURRENT ASSETS

Cash	\$107,099
Contributions and local government awards receivable	64,964
Federal government awards receivable	51,024
Promised use of facilities	28,350
Security deposit and prepaid expenses	<u>26,838</u>
	278,275

#### FIXED ASSETS

18,553

\$296,828

### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES

Accounts payable	\$10,868
Accrued liabilities	<u>72,621</u>
	<u>83,489</u>

#### NET ASSETS

Without donor restrictions—undesignated	184,989
With donor restrictions—promised use of facilities	<u>28,350</u>
	<u>213,339</u>
	<u>\$296,828</u>

The accompanying notes are an integral part of this financial statement presentation.

# COMMUNITIES FOR RECOVERY

## STATEMENT OF ACTIVITIES

YEAR ENDED 31 DECEMBER 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUE			
Government awards and contracts:			
Federal awards	\$745,346	\$0	\$745,346
Local government awards	268,451	0	268,451
Fee for service contracts	57,109	0	57,109
Foundation grants	324,421	0	324,421
Contributions, including \$187,184 of contributed goods and services	244,135	28,350	272,485
Program service fees and other	56,228	0	56,228
Net assets released from restrictions	<u>36,733</u>	<u>(36,733)</u>	<u>0</u>
	<u>1,732,423</u>	<u>(8,383)</u>	<u>1,724,040</u>
EXPENSES			
Program	1,323,181	0	1,323,181
Administrative	207,228	0	207,228
Fundraising	<u>120,762</u>	<u>0</u>	<u>120,762</u>
	<u>1,651,171</u>	<u>0</u>	<u>1,651,171</u>
CHANGE IN NET ASSETS	<u>81,252</u>	<u>(8,383)</u>	<u>72,869</u>
BEGINNING NET ASSETS, as previously reported	94,614	63,971	158,585
PRIOR PERIOD ADJUSTMENTS	<u>9,123</u>	<u>(27,238)</u>	<u>(18,115)</u>
BEGINNING NET ASSETS, as restated	<u>103,737</u>	<u>36,733</u>	<u>140,470</u>
ENDING NET ASSETS	<u>\$184,989</u>	<u>\$28,350</u>	<u>\$213,339</u>

The accompanying notes are an integral part of this financial statement presentation.

# COMMUNITIES FOR RECOVERY

## STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

### CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$72,869
Depreciation	12,821
Loss from disposal of asset	503
Change in federal government awards receivable	(266)
Change in contributions and local government awards receivable	(20,549)
Change in promised use of facilities	(14,175)
Change in accounts payable	(918)
Change in accrued liabilities	2,993
Change in security deposit and prepaid expenses	<u>(13,749)</u>
CHANGE IN CASH	39,529
BEGINNING CASH	<u>67,570</u>
ENDING CASH	<u><u>\$107,099</u></u>

The accompanying notes are an integral part of this financial statement presentation.



# COMMUNITIES FOR RECOVERY

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED 31 DECEMBER 2019

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$1,003,654	\$79,313	\$76,468	\$1,159,435
Rent	167,700	13,650	13,650	195,000
Professional services	30,125	67,625	10,570	108,320
Contract services	30,591	4,072	8,371	43,034
Travel	23,193	3,590	940	27,723
Direct assistance	20,865	0	0	20,865
Program elements	16,850	355	24	17,229
Depreciation	10,231	1,644	946	12,821
Other	<u>19,972</u>	<u>36,979</u>	<u>9,793</u>	<u>66,744</u>
	<u>\$1,323,181</u>	<u>\$207,228</u>	<u>\$120,762</u>	<u>\$1,651,171</u>

The accompanying notes are an integral part of this financial statement presentation.

## COMMUNITIES FOR RECOVERY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: ORGANIZATION

The Communities for Recovery (CforR) is a corporation organized under the Nonprofit Corporation Act of the State of Texas. CforR is an organization that supports long-term recovery for people with substance use and co-occurring mental health conditions by partnering with communities around Austin, Texas to provide volunteer peer supported recovery programs and services.

These services include peer support volunteer programs, peer recovery coaching, recovery support groups, peer recovery coach institute, youth and emerging adults program to train peer recovery coaches, career closet, and access to computer labs, a café, a bookstore, and a library. The services are funded by federal and nonfederal government awards, foundation grants, contributions and program service fees.

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### FINANCIAL STATEMENT PRESENTATION

Net assets are classified based on the existence or absence of donor 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 restrictions.

##### Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor 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. CforR reports restricted support that was satisfied in the year of receipt as unrestricted.

##### BASIS OF ACCOUNTING

CforR uses the accrual basis method of accounting. Revenues are recorded when earned, rather than when received. Contributions are recognized when the donor makes a promise to give to CforR, that is, in substance, unconditional. Expenses are recorded when incurred regardless of when paid.

##### SUBSEQUENT EVENTS

CforR has evaluated subsequent events as of the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

# COMMUNITIES FOR RECOVERY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ESTIMATES

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### FEDERAL INCOME TAX STATUS

CforR is an organization other than a private foundation exempt from Federal income taxes under IRS Code Section 501(c)(3), except to the extent it has unrelated business income. Therefore, no provision has been made for Federal income taxes in the accompanying financial statements. CforR's policy is to record interest and penalties related to income taxes as interest and other expense, respectively. At 31 December 2019, no interest or penalties have been or are required to be accrued.

#### GOVERNMENT AWARDS

CforR considers all government awards to be exchange transactions rather than contributions. CforR recognizes revenue as eligible expenditures are incurred and/or as services are provided. Eligible expenditures incurred in excess of grant fund reimbursements are recorded as receivables.

#### CONTRIBUTIONS

Contributions are recorded as revenue when the donor makes an unconditional promise to give to CforR. Conditional promises to give are not recognized until the conditions on which they depend are substantially met, and the promises become unconditional.

Contributed services are reported as support if the services either create or enhance a nonfinancial asset or require specialized skills, are provided by those possessing those skills, and would otherwise need to be purchased if they were not donated. The value of contributed space and services are recognized in the financial statements at estimated fair value.

#### CONTRIBUTIONS RECEIVABLE

Contributions receivable are recorded at the amount CforR expects to receive from donors. Contributions receivable are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. No allowance for uncollectible contributions has been recorded as historically CforR has not experienced uncollectible amounts.



## COMMUNITIES FOR RECOVERY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### FIXED ASSETS

Fixed assets are stated at cost if purchased, or at fair value at the date of receipt if donated, and are capitalized if the estimated useful service life of the asset is more than one year. Depreciation is computed using the straight-line method over the estimated average useful life of 5-10 years for furniture, equipment, and leasehold improvements, 5-7 years for vehicles, and 3 years for database and software. Costs of routine repairs and maintenance are charged to expense as incurred.

##### FUNCTIONAL ALLOCATION OF EXPENSES

CforR incurs some expenses that are applicable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits, contract services, depreciation and rent are allocated based on estimated time and effort, and professional fees contract services, travel, program elements and other are allocated based on knowledge of specific costs.

#### NOTE 3: CONCENTRATIONS

Foundation grants from one donor represented 19% of total revenue. Federal government awards from two sources represented 43% of total revenue and 35% of total receivables for the year ended 31 December 2019.

#### NOTE 4: FIXED ASSETS

Leasehold improvements	\$132,187
Furniture and equipment	59,191
Vehicles	34,568
Database and software	18,637
Accumulated depreciation	<u>(226,030)</u>
	<u>\$18,553</u>

#### NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

Subject to purpose restriction at 31 December 2019:

Promised use of facilities	<u>\$28,350</u>
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## COMMUNITIES FOR RECOVERY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

Net assets released from purpose restriction during the year ended 31 December 2019:

Promised use of facilities	\$17,983
Release of time restrictions during the year ended 31 December 2019:	<u>18,750</u>
	<u>\$36,733</u>

#### NOTE 6: RELATED PARTY TRANSACTIONS

During the year ended 31 December 2019 contributions from employees, board members, and organizations associated with board members amounted to approximately \$368,000.

#### NOTE 7: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, within one year of the statement of financial position date, comprise the following:

Cash	\$107,099
Contributions and local government awards receivable	64,964
Federal government awards receivable	<u>51,024</u>
	<u>\$223,087</u>

As part of CforR's liquidity management, financial assets are structured to be available as general expenditures, liabilities, and other obligations come due. The policy is for monthly revenue to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from CforR's operating account.

#### NOTE 8: DONATED FACILITIES AND SERVICES

CforR was provided with facilities at below market rate by Austin State Hospital (ASH). The agreement between CforR and ASH allows CforR to occupy certain facilities on the ASH campus in exchange for CforR administering its program in such a manner that supports ASH's mission. CforR recognized contributions of \$180,463 for the use of facilities during the year ended 31 December 2019. Either party may terminate the agreement at any time with 60 days written notice. At 31 December 2019 no written notice was given to terminate the agreement, therefore contributions receivable includes two months of the promised facilities.

CforR also received \$6,721 in contributed services during the year. The contributed services received were primarily related to administrative information technology services.

## **COMMUNITIES FOR RECOVERY**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 9: LEASES**

During 2018, CforR entered into a lease agreement for office space. The lease payment terms are \$1,000 per month from 30 September 2018 to 29 September 2021.

#### **NOTE 10: CHANGE IN ACCOUNTING PRINCIPLE**

On 21 June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, Not-For-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update assists entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions, and determining whether a contribution is conditional. CforR has implemented ASU 2018-08 and has adjusted the presentation in these financial statements accordingly. ASU 2018-08 was applied using the modified prospective basis as of 1 January 2019.

#### **NOTE 11: PRIOR PERIOD ADJUSTMENTS**

As of 31 December 2018, net assets with donor restrictions were overstated by \$27,238, which resulted in net assets without donor restrictions being understated by the same amount. There is no impact on the change in net assets.

As of 31 December 2018, accrued paid time off was understated by \$18,115, which resulted in net assets without donor restrictions being overstated by the same amount. A prior period adjustment has been recorded to correct beginning net assets without donor restrictions. This adjustment decreased the change in net assets for the year ended 31 December 2018 by \$18,115.