

**Communities for Recovery**  
Financial Statements and  
Independent Auditors' Report  
December 31, 2017 and 2016

Communities for Recovery

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**Dunagan★Jack LLP**  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Communities for Recovery

We have audited the accompanying financial statements of Communities for Recovery (a Texas nonprofit corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 Communities for Recovery as of December 31, 2017 and 2016, 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.

A handwritten signature in black ink that reads "DUNAGAN JACK LLP". The signature is stylized and written in a cursive-like font.

Austin, Texas  
July 23, 2018

## **FINANCIAL STATEMENTS**

Communities for Recovery  
STATEMENTS OF FINANCIAL POSITION

December 31,

	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 97,641	\$ 180,493
Government grants receivable	82,070	66,535
Other receivables	25,043	17,055
Contributions receivable	186,733	252,348
Prepaid expenses and other assets	5,347	3,803
Property and equipment	45,089	59,646
Total assets	\$ 441,923	\$ 579,880
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 93,970	\$ 131,105
Total liabilities	93,970	131,105
<b>Net assets</b>		
Unrestricted	103,870	132,904
Temporarily restricted	244,083	315,871
Permanently restricted	-	-
Total net assets	347,953	448,775
Total liabilities and net assets	\$ 441,923	\$ 579,880

The accompanying notes are an integral part of these statements.

Communities for Recovery

STATEMENT OF ACTIVITIES

For the year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains				
Contributions	\$ 448,263	\$ 186,733	\$ -	\$ 634,996
Government grants	577,675	-	-	577,675
Program revenues	97,940	-	-	97,940
Special events	29,896	-	-	29,896
Other revenues	7,673	-	-	7,673
Total revenues and gains	1,161,447	186,733	-	1,348,180
Net assets released from restrictions	258,521	(258,521)	-	-
Total revenues, gains, and other support	1,419,968	(71,788)	-	1,348,180
Expenses				
Program services	1,127,332	-	-	1,127,332
General and administrative	181,850	-	-	181,850
Fundraising	139,820	-	-	139,820
Total expenses	1,449,002	-	-	1,449,002
Change in net assets	(29,034)	(71,788)	-	(100,822)
Net assets, beginning of year	132,904	315,871	-	448,775
Net assets, end of year	<u>\$ 103,870</u>	<u>\$ 244,083</u>	<u>\$ -</u>	<u>\$ 347,953</u>

The accompanying notes are an integral part of these statements.

Communities for Recovery

STATEMENT OF ACTIVITIES

For the year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains				
Contributions	\$ 545,046	\$ 315,871	\$ -	\$ 860,917
Government grants	384,120	-	-	384,120
Program revenues	62,335	-	-	62,335
Special events	57,118	-	-	57,118
Other revenues	6,170	-	-	6,170
Total revenues and gains	1,054,789	315,871	-	1,370,660
Net assets released from restrictions	370,168	(370,168)	-	-
Total revenues, gains, and other support	1,424,957	(54,297)	-	1,370,660
Expenses				
Program services	938,844	-	-	938,844
General and administrative	156,247	-	-	156,247
Fundraising	51,157	-	-	51,157
Total expenses	1,146,248	-	-	1,146,248
Change in net assets	278,709	(54,297)	-	224,412
Net assets, beginning of year	(145,805)	370,168	-	224,363
Net assets, end of year	<u>\$ 132,904</u>	<u>\$ 315,871</u>	<u>\$ -</u>	<u>\$ 448,775</u>

The accompanying notes are an integral part of these statements.

Communities for Recovery

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2017

	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 712,100	\$ 113,675	\$ 80,619	\$ 906,394
In-kind facilities	202,852	10,790	2,158	215,800
Professional services	53,441	45,992	20,783	120,216
Supplies	27,382	3	1,626	29,011
Meals and entertainment	5,585	1,229	20,114	26,928
Depreciation expense	16,204	862	173	17,239
Telecommunications	15,611	-	-	15,611
Travel	9,749	2,347	495	12,591
Mileage and automobile costs	10,482	936	31	11,449
Contract services	6,420	463	-	6,883
Insurance	3,405	3,091	-	6,496
Printing	1,187	453	656	2,296
Venue and equipment rentals	80	-	2,187	2,267
Postage and shipping	646	59	446	1,151
Other	62,188	1,950	10,532	74,670
Total expenses	<u>\$ 1,127,332</u>	<u>\$ 181,850</u>	<u>\$ 139,820</u>	<u>\$ 1,449,002</u>

The accompanying notes are an integral part of these statements.



Communities for Recovery

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2016

	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 519,087	\$ 108,944	\$ 12,817	\$ 640,848
In-kind facilities	202,852	10,790	2,158	215,800
Professional services	45,092	16,930	11,801	73,823
Contract services	37,005	-	355	37,360
Supplies	20,844	5,059	4,885	30,788
Depreciation expense	16,602	883	177	17,662
Meals and entertainment	7,937	629	8,030	16,596
Mileage and automobile costs	12,079	532	75	12,686
Travel	10,295	-	1,940	12,235
Printing	8,532	1,226	1,535	11,293
Telecommunications	8,329	1,084	534	9,947
Venue and equipment rentals	6,336	-	3,590	9,926
Insurance	2,802	3,102	-	5,904
Postage and shipping	979	21	755	1,755
Other	40,073	7,047	2,505	49,625
Total expenses	<u>\$ 938,844</u>	<u>\$ 156,247</u>	<u>\$ 51,157</u>	<u>\$ 1,146,248</u>

The accompanying notes are an integral part of these statements.

Communities for Recovery  
STATEMENTS OF CASH FLOWS

For the years ended December 31,

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (100,822)	\$ 224,412
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	17,239	17,662
Loss on disposal of equipment	-	219
(Increase) decrease in government grants receivable	(15,535)	41,709
(Increase) decrease in other receivables	(7,988)	568
Decrease in contributions receivable	65,615	117,820
Increase in prepaid expenses and other assets	(1,544)	(688)
Decrease in accounts payable and accrued expenses	(37,135)	(273,995)
Net cash (used) provided by operating activities	(80,170)	127,707
Cash flows from investing activities:		
Purchases of property and equipment	(2,682)	(14,489)
Net cash used by investing activities	(2,682)	(14,489)
Cash flows from financing activities:	-	-
Net (decrease) increase in cash and cash equivalents	(82,852)	113,218
Cash and cash equivalents at beginning of year	180,493	67,275
Cash and cash equivalents at end of year	\$ 97,641	\$ 180,493
Amount paid during the year for:		
Income taxes	\$ -	\$ -
Interest	\$ -	\$ -

The accompanying notes are an integral part of these statements.

**NOTES TO FINANCIAL STATEMENTS**

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

**NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

1. Organization and Nature of Activities

Communities for Recovery (Organization) is a Texas nonprofit corporation. The Organization supports long-term recovery for people with substance use and co-occurring mental health conditions by partnering with communities to provide volunteer peer supported recovery programs and services. The Organization's programs and services include:

- Peer Support Volunteer Program
- Peer Recovery Coaching
- Recovery Support Groups
- Peer Recovery Coach Institute
- Youth and Emerging Adults program to train Peer Recovery Coaches
- Career Closet
- Computer Lab
- Café
- Bookstore
- Library

The Organization's revenues are primarily from contributions and government grants.

2. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

3. Basis of Presentation

Financial statement presentation follows the guidance of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

4. Cash and Cash Equivalents

The Organization's cash and cash equivalents comprise checking and savings accounts.

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

**NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Property and Equipment

Acquisitions of property and equipment are capitalized at cost, if purchased, or fair market value on the date of donation, if received as a gift. Depreciation is calculated using the straight-line method over the assets' estimated useful lives, generally five to ten years for furniture, equipment, and leasehold improvements and three years for software and website development. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of restrictions when the assets are placed into service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

6. Revenue Recognition

The Organization records contributions using the guidance of FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. As donor or time restrictions are satisfied, net assets are reclassified to unrestricted net assets. The Organization's policy is to report restricted support that is satisfied in the year of receipt as unrestricted.

The Organization considers its cost reimbursement grants with government entities to be exchange transactions and not contributions. Therefore, revenue is recognized as reimbursed expenses are incurred.

Program revenues are recognized in the periods services are provided.

7. Functional Expenses

Expenses are categorized by function as either (1) program services, (2) general and administrative, or (3) fundraising expenses. Expenses that are specifically identifiable to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to each function.

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

**NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

8. Estimates

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

**NOTE B - TAX EXEMPT STATUS**

Communities for Recovery is generally exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). In addition, the Internal Revenue Service has determined the Organization is a public charity. Therefore, no provision for income taxes has been included in these financial statements.

**NOTE C - CONTRIBUTIONS RECEIVABLE**

Contributions receivable comprised the following at December 31,

	<u>2017</u>	<u>2016</u>
Promised use of facilities	\$ 17,983	\$ 17,983
Other contributions receivable	<u>168,750</u>	<u>234,365</u>
	<u>\$ 186,733</u>	<u>\$ 252,348</u>

Due to the immaterial amounts of discounts calculated as of December 31, 2017 and 2016, no discounts are reflected in these financial statements. Allowances for uncollectible contributions receivable are not considered necessary. The December 31, 2017 balance is expected to be collected within one year.

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment comprised the following at December 31,

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 132,187	\$ 129,477
Furniture and equipment	62,208	68,965
Vehicles	34,568	34,568
Database and software	<u>18,637</u>	<u>19,373</u>
	247,600	252,383
Less accumulated depreciation	<u>(202,511)</u>	<u>(192,737)</u>
	<u>\$ 45,089</u>	<u>\$ 59,646</u>

Depreciation expense totaled \$17,239 and \$17,662 for the years ended December 31, 2017 and 2016, respectively.

**NOTE E - TEMPORARILY RESTRICTED NET ASSETS**

Net assets were temporarily restricted for the following purposes/periods at December 31,

	<u>2017</u>	<u>2016</u>
Promised use of facilities	\$ 17,983	\$ 17,983
Recovery model & peer recovery coaching advocacy	57,350	129,138
For use in subsequent periods	<u>168,750</u>	<u>168,750</u>
	<u>\$ 244,083</u>	<u>\$ 315,871</u>

The Organization considers contributions receivable to be implicitly time restricted, unless the donor explicitly states that the gift is to support current-period activities.

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

**NOTE F - DONATED FACILITIES AND SERVICES**

The Organization was the recipient of donated facilities and services during the years ended December 31, 2017 and 2016. The following in-kind donations are reported in contributions in the statements of activities:

	<u>2017</u>	<u>2016</u>
Facilities	\$ 215,800	\$ 215,800
Services	<u>10,049</u>	<u>25,325</u>
	<u>\$ 225,849</u>	<u>\$ 241,125</u>

The Organization is provided with facilities at no charge by Austin State Hospital (ASH). The agreement between the Organization and ASH allows the Organization to occupy certain facilities on the ASH campus in exchange for the Organization administering its programs in such a manner that supports ASH's mission. The Organization recognized contributions of \$215,800 for the free use of facilities during each of the years ended December 31, 2017 and 2016. Either party may terminate the agreement at any time with 30 days written notice. At December 31, 2017, no written notice was given to terminate the agreement; therefore, contributions receivable includes one month of the promised use of facilities.

**NOTE G - GOVERNMENT GRANTS**

Government grants comprised the following for the years ended December 31,

	<u>2017</u>	<u>2016</u>
Substance Abuse and Mental Health Services Admin.	\$ 299,936	\$ 176,862
Texas Department of State Health Services	193,638	182,173
City of Austin	<u>84,101</u>	<u>25,085</u>
	<u>\$ 577,675</u>	<u>\$ 384,120</u>

The Organization receives government grants that are subject to review and audit by federal, state, and local agencies. Such audits could result in requests for reimbursement for expenditures disallowed under terms and conditions of the appropriate agency. In the opinion of the Organization's management, such disallowances, if any, would not be significant.



Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

**NOTE H - CONCENTRATIONS**

Contributions and government grants revenues presented below were recognized from five donors and grantors during the years ended December 31, 2017 and 2016:

	2017 <u>Revenues</u>	2016 <u>Revenues</u>
Substance Abuse and Mental Health Services Admin.	\$ 299,936	\$ 176,862
Donor A	235,106	233,676
Austin State Hospital (donated facilities)	215,800	215,800
Texas Department of State Health Services	193,638	182,173
Donor B	<u>150,000</u>	<u>160,000</u>
	<u>\$ 1,094,480</u>	<u>\$ 968,511</u>

*Percentages of total revenues* 81% 71%

**NOTE I - RELATED PARTY TRANSACTIONS**

During 2017 and 2016, the Organization's personnel were employees of a company with ties to current and previous board members. The Organization is billed for these services at the actual cost incurred. During 2017 and 2016, the Organization recognized personnel expense of \$906,394 and \$640,848, respectively. Accounts payable included \$76,320 and \$114,208 payable to this company for services provided to December 31, 2017 and 2016, respectively.

**NOTE J - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through July 23, 2018, the date the financial statements were available to be issued.