

**Communities for Recovery**  
Financial Statements and  
Independent Auditors' Report  
December 31, 2018 and 2017

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, 2018 and 2017, 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, 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.

**Change in Accounting Principle**

As discussed in Note A9 to the financial statements, Communities for Recovery adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of the Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.



Austin, Texas  
July 25, 2019

## **FINANCIAL STATEMENTS**

Communities for Recovery  
STATEMENTS OF FINANCIAL POSITION

December 31,

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 67,570	\$ 97,641
Government grants and contracts receivable	50,758	82,070
Other receivables	21,857	25,043
Contributions receivable	36,733	186,733
Prepaid expenses and other assets	13,089	5,347
Property and equipment	31,877	45,089
Total assets	\$ 221,884	\$ 441,923
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 63,299	\$ 93,970
Total liabilities	63,299	93,970
Net assets		
Net assets without donor restrictions	94,614	103,870
Net assets with donor restrictions	63,971	244,083
Total net assets	158,585	347,953
Total liabilities and net assets	\$ 221,884	\$ 441,923

The accompanying notes are an integral part of these statements.

Communities for Recovery

STATEMENT OF ACTIVITIES

For the year ended December 31, 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and gains			
Government grants and contracts	\$ 750,894	\$ -	\$ 750,894
Contributions	444,838	36,733	481,571
Program revenues	105,517	-	105,517
Special events	60,517	-	60,517
Other revenues	8,418	-	8,418
Total revenues and gains	1,370,184	36,733	1,406,917
Net assets released from restrictions	216,845	(216,845)	-
Total revenues, gains, and other support	1,587,029	(180,112)	1,406,917
Expenses			
Program services	1,290,468	-	1,290,468
General and administrative	208,053	-	208,053
Fundraising	97,764	-	97,764
Total expenses	1,596,285	-	1,596,285
Change in net assets	(9,256)	(180,112)	(189,368)
Net assets at beginning of year	103,870	244,083	347,953
Net assets at end of year	\$ 94,614	\$ 63,971	\$ 158,585

The accompanying notes are an integral part of these statements.

Communities for Recovery

STATEMENT OF ACTIVITIES

For the year ended December 31, 2017

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and gains			
Contributions	\$ 448,263	\$ 186,733	\$ 634,996
Government grants and contracts	610,422	-	610,422
Program revenues	65,193	-	65,193
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 at beginning of year	132,904	315,871	448,775
Net assets at end of year	\$ 103,870	\$ 244,083	\$ 347,953

The accompanying notes are an integral part of these statements.

Communities for Recovery

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018

	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 910,201	\$ 116,600	\$ 31,980	\$ 1,058,781
In-kind facilities	169,200	9,000	1,800	180,000
Professional services	43,326	53,443	23,815	120,584
Direct assistance	40,665	-	-	40,665
Mileage and automobile costs	16,922	2,582	461	19,965
Payroll/HR fees	-	17,461	-	17,461
Telecommunications	14,946	-	-	14,946
Contract services	6,140	845	7,500	14,485
Equipment rental	14,071	-	-	14,071
Supplies	8,957	34	4,848	13,839
Depreciation	12,435	662	132	13,229
Meals and entertainment	2,215	1,708	4,345	8,268
Insurance	6,858	-	-	6,858
Travel	2,865	1,745	-	4,610
Venue rentals	1,540	-	2,498	4,038
Postage and shipping	449	44	1,307	1,800
Printing	385	-	737	1,122
Other	39,293	3,929	18,341	61,563
Total expenses	<u>\$ 1,290,468</u>	<u>\$ 208,053</u>	<u>\$ 97,764</u>	<u>\$ 1,596,285</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	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 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  
STATEMENTS OF CASH FLOWS

For the years ended December 31,

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (189,368)	\$ (100,822)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	13,212	17,239
Decrease (increase) in government grants and contracts receivable	31,312	(15,535)
Decrease (increase) in other receivables	3,186	(7,988)
Decrease in contributions receivable	150,000	65,615
Increase in prepaid expenses and other assets	(7,742)	(1,544)
Decrease in accounts payable and accrued expenses	(30,671)	(37,135)
Net cash used by operating activities	(30,071)	(80,170)
Cash flows from investing activities:		
Purchases of property and equipment	-	(2,682)
Net cash used by investing activities	-	(2,682)
Cash flows from financing activities:	-	-
Net decrease in cash and cash equivalents	(30,071)	(82,852)
Cash and cash equivalents at beginning of year	97,641	180,493
Cash and cash equivalents at end of year	\$ 67,570	\$ 97,641
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, 2018 and 2017

**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

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net Assets Without Donor Restrictions* - Net assets that are not subject to or are no longer subject to donor imposed stipulations.

*Net Assets With Donor Restrictions* - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

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

3. Basis of Presentation - Continued

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

4. Cash and Cash Equivalents

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

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 restricted net assets to net assets without donor restrictions at that time.

6. Revenue Recognition

Contributions received are recorded as increases in net assets without donor restrictions or as increases in net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. The Organization's policy is to report restricted support that is satisfied in the year of receipt as support without donor restrictions.

The Organization considers its cost reimbursement grants with government entities to be exchange transactions and not contributions. Therefore, revenue is recognized as reimbursable expenses are incurred. Program revenues are recognized in the periods services are provided.

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

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

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.

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.

9. Recently Adopted Accounting Guidance

In 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018, with retrospective application to the prior year. In addition to changes in terminology used to describe net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources.

**NOTE B - TAX EXEMPT STATUS**

Communities for Recovery is exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). The Organization is classified as a publicly supported organization described in sections 509(a)(1) and 170(b)(1)(A)(vi). Therefore, no provision for income taxes has been included in these financial statements.

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

**NOTE C - CONTRIBUTIONS RECEIVABLE**

Contributions receivable comprised the following at December 31,

	<u>2018</u>	<u>2017</u>
Promised use of facilities	\$ 17,983	\$ 17,983
Other contributions receivable	<u>18,750</u>	<u>168,750</u>
	<u>\$ 36,733</u>	<u>\$ 186,733</u>

Due to the immaterial amounts of discounts calculated as of December 31, 2018 and 2017, no discounts are reflected in these financial statements. Allowances for uncollectible contributions receivable are not considered necessary. The December 31, 2018 balance is expected to be collected within one year.

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment comprised the following at December 31,

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 132,187	\$ 132,187
Furniture and equipment	62,208	62,208
Vehicles	34,568	34,568
Database and software	<u>18,637</u>	<u>18,637</u>
	247,600	247,600
Less accumulated depreciation	<u>(215,723)</u>	<u>(202,511)</u>
	<u>\$ 31,877</u>	<u>\$ 45,089</u>

Depreciation expense totaled \$13,229 and \$17,239 for the years ended December 31, 2018 and 2017, respectively.

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

**NOTE E - NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2018</u>	<u>2017</u>
Recovery model & peer recovery coaching advocacy	\$ 27,238	\$ 57,350
For use in subsequent periods	18,750	168,750
Promised use of facilities	<u>17,983</u>	<u>17,983</u>
	<u>\$ 63,971</u>	<u>\$ 244,083</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.

**NOTE F - DONATED FACILITIES AND SERVICES**

The Organization was the recipient of donated facilities and services during the years ended December 31, 2018 and 2017. The following in-kind donations are reported in contributions in the statements of activities:

	<u>2018</u>	<u>2017</u>
Facilities	\$ 180,000	\$ 215,800
Services	<u>8,418</u>	<u>10,049</u>
	<u>\$ 188,418</u>	<u>\$ 225,849</u>

The Organization was 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 \$180,000 and \$215,800 for the free use of facilities during the years ended December 31, 2018 and 2017, respectively. Either party may terminate the agreement at any time with 30 days written notice. At December 31, 2018, no written notice was given to terminate the agreement; therefore, contributions receivable includes one month of the promised use of facilities.



Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

**NOTE G - GOVERNMENT GRANTS AND CONTRACTS**

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

	<u>2018</u>	<u>2017</u>
Texas Health and Human Services	\$ 285,675	\$ 193,638
Substance Abuse and Mental Health Services Admin.	264,295	299,936
Travis County	106,679	32,747
City of Austin	93,903	84,101
City of Round Rock	342	-
	<u>\$ 750,894</u>	<u>\$ 610,422</u>

The Organization receives government grants and contracts 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.

**NOTE H - CONCENTRATIONS**

Contributions and government grants revenues presented below were recognized from five donors and grantors during the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
	<u>Revenues</u>	<u>Revenues</u>
Texas Health and Human Services	\$ 285,675	\$ 193,638
Donor A	270,000	235,106
Substance Abuse and Mental Health Services Admin.	264,295	299,936
Austin State Hospital (donated facilities)	180,000	215,800
Donor B	-	150,000
	<u>\$ 999,970</u>	<u>\$ 1,094,480</u>

<i>Percentages of total revenues</i>	<i>71%</i>	<i>81%</i>
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Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

**NOTE I - RELATED PARTY TRANSACTIONS**

During 2017, the Organization's personnel were employees of a company with ties to current and former board members. The Organization was billed for these services at the actual cost incurred. During 2017, the Organization recognized personnel expense of \$906,394. Accounts payable included \$76,320 payable to this company for services provided to December 31, 2017. The Organization discontinued this relationship at the end of 2017.

**NOTE J - RETIREMENT PLAN**

During 2018, eligible employees were able to participate in a section 401(k) defined contribution retirement plan (Plan). The Plan allows for employee contributions through payroll deductions. The Organization did not make any contributions to this Plan.

**NOTE K - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization had consistent collections of government grants and program services revenue throughout 2018 and 2017. The Organization's largest donor provided consistent monthly support during 2018 and 2017. The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The following reflects financial assets, reduced by amounts not available to general use within one year because of donor-imposed restrictions as of December 31,

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 67,570	\$ 97,641
Government grants and contracts receivable	50,758	82,070
Other receivables	21,857	25,043
Contributions receivable (excluding facilities)	<u>18,750</u>	<u>168,750</u>
Total financial assets	158,935	373,504
Donor imposed restrictions:		
Recovery model & peer recovery coaching advocacy	<u>(27,238)</u>	<u>(57,350)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 131,697</u>	<u>\$ 316,154</u>

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

**NOTE L - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through July 25, 2019, the date the financial statements were available to be issued.