

Communities for Recovery
Financial Statements and
Independent Auditors' Report
December 31, 2020

Communities for Recovery

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Communities for Recovery

Opinion

We have audited the accompanying financial statements of Communities for Recovery (a Texas nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Communities for Recovery and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Communities for Recovery's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Communities for Recovery's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Communities for Recovery's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "Jonathan Jack CPA". The signature is written in a cursive, flowing style.

Austin, Texas
July 16, 2021

FINANCIAL STATEMENTS

Communities for Recovery
STATEMENT OF FINANCIAL POSITION

December 31, 2020

ASSETS

Cash and cash equivalents	\$ 241,024
Government grants receivable	158,839
Other receivables	14,330
Prepaid expenses and other assets	27,613
Property and equipment	<u>13,156</u>
 Total assets	 <u><u>\$ 454,962</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 89,435
Deferred revenue	<u>7,250</u>
 Total liabilities	 <u>96,685</u>
 Net assets	
Without donor restrictions	329,927
With donor restrictions	<u>28,350</u>
 Total net assets	 <u>358,277</u>
 Total liabilities and net assets	 <u><u>\$ 454,962</u></u>

The accompanying notes are an integral part of these statements.

Communities for Recovery

STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Government grants	\$ 1,296,981	\$ 28,350	\$ 1,325,331
Contributions	353,306	-	353,306
Program revenues	31,945	-	31,945
Other revenues	2,124	-	2,124
	<u>1,684,356</u>	<u>28,350</u>	<u>1,712,706</u>
Total revenues	1,684,356	28,350	1,712,706
Net assets released from restrictions	<u>28,350</u>	<u>(28,350)</u>	<u>-</u>
Total revenues and other support	<u>1,712,706</u>	<u>-</u>	<u>1,712,706</u>
Expenses			
Program services	1,306,649	-	1,306,649
General and administrative	229,789	-	229,789
Fundraising	31,330	-	31,330
	<u>1,567,768</u>	<u>-</u>	<u>1,567,768</u>
Total expenses	1,567,768	-	1,567,768
Change in net assets	144,938	-	144,938
Net assets at beginning of year	<u>184,989</u>	<u>28,350</u>	<u>213,339</u>
Net assets at end of year	<u>\$ 329,927</u>	<u>\$ 28,350</u>	<u>\$ 358,277</u>

The accompanying notes are an integral part of these statements.

Communities for Recovery

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2020

	Program Services	General and Administrativ	Fundraising	Total
Personnel	\$ 949,497	\$ 150,586	\$ 11,410	\$ 1,111,493
Occupancy	227,294	10,047	2,010	239,351
Professional services	24,612	52,135	14,675	91,422
Direct assistance	16,839	412	100	17,351
Telecommunications	17,117	-	-	17,117
Mileage and automobile costs	13,204	1,096	-	14,300
Equipment rental	9,804	-	-	9,804
Payroll/HR fees	-	8,938	-	8,938
Depreciation	8,129	432	86	8,647
Insurance	6,714	-	-	6,714
Supplies	6,494	-	-	6,494
Printing	2,314	165	-	2,479
Meals and entertainment	1,659	429	142	2,230
Postage and shipping	249	89	220	558
Other expenses	22,723	5,460	2,687	30,870
Total expenses	<u>\$ 1,306,649</u>	<u>\$ 229,789</u>	<u>\$ 31,330</u>	<u>\$ 1,567,768</u>

The accompanying notes are an integral part of these statements.

Communities for Recovery

STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

Cash flows from operating activities:	
Change in net assets	\$ 144,938
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,647
Increase in government grants receivable	(14,501)
Increase in other receivables	(14,330)
Increase in prepaid expenses and other assets	(775)
Increase in accounts payable and accrued expenses	5,946
Increase in deferred revenue	<u>7,250</u>
Net cash provided by operating activities	<u>137,175</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(3,250)</u>
Net cash used by investing activities	<u>(3,250)</u>
Cash flows from financing activities:	<u>-</u>
Net increase in cash and cash equivalents	133,925
Cash and cash equivalents at beginning of year	<u>107,099</u>
Cash and cash equivalents at end of year	<u>\$ 241,024</u>
Amount paid during the year for:	
Income taxes	<u>\$ -</u>
Interest	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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 issues by partnering with other organizations in the community to provide peer-supported recovery services. The Organization's programs and services include:

- Peer Recovery Coaching
- Family Recovery Programs
- Support Groups
- Peer Recovery Coach Training
- Wellness Recovery Action Planning
- Community Center

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.

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

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - Continued

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

Grants and contributions received are recorded as increases in net assets without donor restrictions or as increases 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 has adopted the simultaneous release option for donor restricted conditional grants and contributions that are recognized and satisfied within the same reporting period; therefore, these amounts are reported as support without donor restrictions. This treatment was applied to the Organization's government grants.

The Organization considered the forgivable loan it received under the Small Business Administration Paycheck Protection Program (PPP) to be a conditional grant. The Organization met the conditions of the PPP grant during the year ended December 31, 2020 and recognized grant revenue during the year.

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020

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.

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 further classified as a public charity described in section 170(b)(1)(A)(vi). No provision for income taxes has been included in these financial statements.

NOTE C - GOVERNMENT GRANTS RECEIVABLE

The government grants receivable balance at December 31, 2020 has been analyzed and no allowance was considered necessary. No discount to present value is reflected in these financial statements. The government grants receivable balance at December 31, 2020 was due within one year.

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment comprised the following at December 31, 2020:

Leasehold improvements	\$	132,187
Furniture, equipment and software		81,080
Vehicles		<u>34,568</u>
		247,835
Less accumulated depreciation		<u>(234,679)</u>
	\$	<u>13,156</u>

Depreciation expense totaled \$8,647 for the year ended December 31, 2020.

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

Net assets of \$28,350 were donor-restricted for the use of facilities in future periods.

NOTE F - DONATED FACILITIES AND SERVICES

The Organization was the recipient of donated facilities and services during the year ended December 31, 2020. The following donations are reported in the statement of activities:

Facilities	\$	200,943
Services		<u>650</u>
	\$	<u>201,593</u>

The Organization is provided with facilities at a discounted rate by the Texas Health and Human Services Commission at its Austin State Hospital (ASH) facilities. The agreement between the Organization and the Texas Health and Human Services Commission allows the Organization to occupy certain facilities on the ASH campus. The Organization recognized a government grant of \$200,943 for the free use of facilities during the year ended December 31, 2020. Either party may terminate the agreement at any time with 60 days written notice. At December 31, 2020, no written notice was given to terminate the agreement; therefore, contributions receivable includes two months of the promised use of facilities.

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020

NOTE G - GOVERNMENT GRANTS

Government grants revenue was from the following sources for the year ended December 31, 2020:

Texas Health and Human Services Commission	\$	407,515
City of Austin		277,763
U.S. Dept. of Health and Human Services		261,504
U.S. Small Business Administration (PPP)		210,938
Other sources		<u>167,611</u>
	\$	<u>1,325,331</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.

NOTE H - CONCENTRATIONS

Contributions and government grants revenues presented below were recognized from five donors and grantors during the year ended December 31, 2020:

Texas Health and Human Services Commission	\$	407,515
Donor A		325,200
City of Austin		277,763
U.S. Dept. of Health and Human Services		261,504
U.S. Small Business Administration (PPP)		<u>210,938</u>
	\$	<u>1,482,920</u>

Percentage of total revenues 87%

NOTE I - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2020, the Organization received \$325,200 from a foundation for which one of the Organization's board members serves as a co-trustee.

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020

NOTE J - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization had regular monthly collections of government grants throughout 2020. The Organization's largest non-government donor provided consistent monthly support during the year. 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, 2020:

Cash and cash equivalents	\$ 241,024
Government grants receivable (excluding promised facilities)	130,489
Other receivables	<u>14,330</u>
Total financial assets	385,843
Less donor-imposed restrictions:	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 385,843</u></u>

NOTE K - SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 16, 2021, the date the financial statements were available to be issued.