

**Communities for Recovery**  
Financial Statements and  
Independent Auditors' Report  
December 31, 2022 and 2021

Communities for Recovery

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# Dunagan★Jack LLP

Certified Public Accountants

## 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 statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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, 2022 and 2021, 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.

### Basis for Opinion

We conducted our audits 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 audits. 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 "DUNAGAN JACK LLC". The signature is stylized with a large, sweeping initial "D" and "J".

Austin, Texas  
September 7, 2023

## **FINANCIAL STATEMENTS**

Communities for Recovery  
STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 381,149	\$ 243,402
Accounts receivable	7,974	25,791
Government grants receivable	410,405	229,713
Contributions receivable	11,281	3,775
Prepaid expenses and other assets	16,639	25,875
Property and equipment	86,016	23,641
Total assets	\$ 913,464	\$ 552,197
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 133,902	\$ 106,715
Deferred revenue	-	8,009
Total liabilities	133,902	114,724
<b>Net assets</b>		
Without donor restrictions	743,780	401,445
With donor restrictions	35,782	36,028
Total net assets	779,562	437,473
Total liabilities and net assets	\$ 913,464	\$ 552,197

The accompanying notes are an integral part of these financial statements.

Communities for Recovery

STATEMENT OF ACTIVITIES

For the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
Government grants	\$ 1,327,475	\$ -	\$ 1,327,475
Contributions	618,607	-	618,607
Donated facilities	166,060	35,782	201,842
Program revenues	140,075	-	140,075
Special events	97,845	-	97,845
Other revenues	917	-	917
	<u>2,350,979</u>	<u>35,782</u>	<u>2,386,761</u>
Net assets released from restrictions	36,028	(36,028)	-
	<u>2,387,007</u>	<u>(246)</u>	<u>2,386,761</u>
<b>Expenses</b>			
Program services	1,733,033	-	1,733,033
General and administrative	267,564	-	267,564
Fundraising	44,075	-	44,075
	<u>2,044,672</u>	<u>-</u>	<u>2,044,672</u>
Change in net assets	342,335	(246)	342,089
Net assets at beginning of year	401,445	36,028	437,473
Net assets at end of year	<u>\$ 743,780</u>	<u>\$ 35,782</u>	<u>\$ 779,562</u>

The accompanying notes are an integral part of these financial statements.

Communities for Recovery

STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
Government grants	\$ 941,889	\$ -	\$ 941,889
Contributions	460,737	-	460,737
Donated facilities	167,292	36,028	203,320
Program revenues	125,035	-	125,035
Other revenues	640	-	640
	<u>1,695,593</u>	<u>36,028</u>	<u>1,731,621</u>
Total revenues			
Net assets released from restrictions	<u>28,350</u>	<u>(28,350)</u>	<u>-</u>
Total revenues and other support	<u>1,723,943</u>	<u>7,678</u>	<u>1,731,621</u>
<b>Expenses</b>			
Program services	1,396,911	-	1,396,911
General and administrative	233,219	-	233,219
Fundraising	22,295	-	22,295
	<u>1,652,425</u>	<u>-</u>	<u>1,652,425</u>
Total expenses			
Change in net assets	71,518	7,678	79,196
Net assets at beginning of year	<u>329,927</u>	<u>28,350</u>	<u>358,277</u>
Net assets at end of year	<u>\$ 401,445</u>	<u>\$ 36,028</u>	<u>\$ 437,473</u>

The accompanying notes are an integral part of these financial statements.



Communities for Recovery

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2022

	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 1,217,858	\$ 155,577	\$ 17,844	\$ 1,391,279
Occupancy	215,603	11,468	2,293	229,364
Professional services	38,055	59,914	4,869	102,838
Program materials	78,231	-	-	78,231
Direct assistance	34,343	-	-	34,343
Mileage/automobile costs	31,291	8	230	31,529
Telecommunications	22,589	1,202	240	24,031
Supplies	15,541	192	760	16,493
Payroll/HR fees	-	12,825	-	12,825
Depreciation	11,108	591	118	11,817
Equipment rental	10,161	541	108	10,810
Insurance	-	9,797	-	9,797
Other expenses	58,253	15,449	17,613	91,315
Total expenses	<u>\$ 1,733,033</u>	<u>\$ 267,564</u>	<u>\$ 44,075</u>	<u>\$ 2,044,672</u>

The accompanying notes are an integral part of these financial statements.

Communities for Recovery

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021

	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 1,032,257	\$ 137,504	\$ 3,990	\$ 1,173,751
Occupancy	213,887	11,377	2,275	227,539
Professional services	35,950	52,161	12,616	100,727
Mileage/automobile costs	21,343	1,985	-	23,328
Telecommunications	17,107	910	182	18,199
Direct assistance	15,481	-	-	15,481
Supplies	12,824	-	-	12,824
Payroll/HR fees	-	10,414	-	10,414
Equipment rental	9,633	512	103	10,248
Insurance	-	6,769	-	6,769
Depreciation	6,124	326	65	6,515
Other expenses	32,305	11,261	3,064	46,630
Total expenses	<u>\$ 1,396,911</u>	<u>\$ 233,219</u>	<u>\$ 22,295</u>	<u>\$ 1,652,425</u>

The accompanying notes are an integral part of these financial statements.

Communities for Recovery

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 342,089	\$ 79,196
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,817	6,515
Decrease (increase) in accounts receivable	17,817	(11,461)
Increase in government grants receivable	(180,692)	(70,874)
Increase in contributions receivable	(7,506)	(3,775)
Decrease in prepaid expenses and other assets	9,236	1,738
Increase in accounts payable and accrued expenses	27,187	17,280
(Decrease) increase in deferred revenue	<u>(8,009)</u>	<u>759</u>
Net cash provided by operating activities	<u>211,939</u>	<u>19,378</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(74,192)</u>	<u>(17,000)</u>
Net cash used by investing activities	<u>(74,192)</u>	<u>(17,000)</u>
Cash flows from financing activities:	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	137,747	2,378
Cash and cash equivalents at beginning of year	<u>243,402</u>	<u>241,024</u>
Cash and cash equivalents at end of year	<u>\$ 381,149</u>	<u>\$ 243,402</u>
Amount paid during the year for:		
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS**

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

**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, 2022 and 2021

**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. Grants and Contributions

Grants and 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. As donor or time restrictions are satisfied, net assets are reclassified to net assets without donor restrictions. If a restriction is fulfilled in the same period in which a contribution is received, that support is reported as an increase in net assets without donor restrictions.

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, 2022 and 2021

**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.

9. Accounting Pronouncement Adopted

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The Organization has adopted and implemented this pronouncement on a retrospective basis, effective January 1, 2021.

**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 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 balances at December 31, 2022 and 2021 have been analyzed and no allowances for uncollectible balances were considered necessary. No discounts to present value are reflected in these financial statements. The government grants receivable balance at December 31, 2022 was due within one year.

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment comprised the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 132,187	\$ 132,187
Furniture, equipment and software	121,892	51,444
Vehicles	<u>51,568</u>	<u>51,568</u>
	305,647	235,199
Less accumulated depreciation	<u>(219,631)</u>	<u>(211,558)</u>
	<u>\$ 86,016</u>	<u>\$ 23,641</u>

Depreciation expense totaled \$11,817 and \$6,515 for the years ended December 31, 2022 and 2021, respectively.

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

Net assets of \$35,782 and \$36,028 were donor-restricted for the use of facilities in future periods at December 31, 2022 and 2021, respectively.

**NOTE F - GOVERNMENT GRANTS**

Government grants revenue was from the following sources for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
City of Austin	\$ 293,416	\$ 290,171
Texas Health and Human Services Commission	220,045	286,862
U.S. Dept of Health and Human Services	184,878	263,325
U.S. Dept of Treasury	150,983	-
Integral Care	137,839	34,281
UT Health Science Center at Houston	114,530	-
UT Health Science Center at San Antonio	100,145	-
Other sources	<u>125,639</u>	<u>67,250</u>
	<u>\$ 1,327,475</u>	<u>\$ 941,889</u>



Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

**NOTE G - DONATED FACILITIES**

The Organization is provided with facilities at a discounted rate by Texas Health and Human Services Commission at its Austin State Hospital (ASH) facilities. The agreement between the Organization and Texas Health and Human Services Commission allows the Organization to occupy certain facilities on the ASH campus. The Organization recognized revenues of \$201,842 and \$203,320 for the discounted use of facilities during the years ended December 31, 2022 and 2021, respectively. Either party may terminate the agreement at any time with 60 days written notice. At December 31, 2022 and 2021, no written notice was given to terminate the agreement; therefore, government grants receivable include two months of the promised use of facilities.

The fair value of donated facilities was determined using gross average asking rents for Class B office space in the Central Austin submarket. Donated facilities were used for program and supporting services.

**NOTE H - CONCENTRATIONS**

All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the FDIC up to the maximum deposit insurance amount (\$250,000). At December 31, 2022, the Organization had an uninsured cash balance of approximately \$125,000.

Government grants, contributions and donated facilities revenues presented below were recognized from certain donors and grantors during the years ended December 31, 2022 and 2021:

	2022	2021
	<u>Revenues</u>	<u>Revenues</u>
Texas Health and Human Services Commission	\$ 421,887	\$ 490,182
Donor A	354,370	325,200
City of Austin	293,416	290,171
U.S. Dept of Health and Human Services	<u>184,878</u>	<u>263,325</u>
	<u>\$ 1,254,551</u>	<u>\$ 1,368,878</u>
<i>Percentage of total revenues</i>	<i>53%</i>	<i>79%</i>

Communities for Recovery

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

**NOTE I - RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2022 and 2021, the Organization recognized contributions of \$354,370 and \$325,200, respectively, from a foundation for which one of the Organization's board members serves as a co-trustee.

**NOTE J - GRANTOR AUDITS**

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 K - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization had regular monthly collections of government grants throughout 2022 and 2021. The Organization's largest non-government donor provided consistent monthly support during the years. 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, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 381,149	\$ 243,402
Accounts receivable	7,974	25,791
Government grants receivable (excluding promised facilities)	374,623	193,685
Contributions receivable	11,281	3,775
Total financial assets	775,027	466,653
Less donor-imposed restrictions:	-	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 775,027	\$ 466,653

**NOTE L - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 7, 2023, the date the financial statements were available to be issued.