

**Career and Recovery
Resources, Inc.**

**FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORTS**

June 30, 2014 and 2013



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Career and Recovery Resources, Inc.
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June 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Career and Recovery Resources, Inc.
Houston, Texas

Report on the Financial Statements

We have audited the financial statements of Career and Recovery Resources, Inc. (the "Agency"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Agency'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 Agency'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 Career and Recovery Resources, Inc., as of June 30, 2014 and 2013, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2014, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Houston, Texas
September 23, 2014

Career and Recovery Resources, Inc.
Statements of Financial Position

<i>June 30,</i>	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 1,141,108	\$ 996,867
Certificates of deposit	112,036	111,923
Grants receivable	242,091	364,599
Accounts receivable	5,615	6,983
Contributions receivable	643,547	670,341
Prepaid expenses	48,798	39,570
Total current assets	2,193,195	2,190,283
Property and equipment, net	1,956,078	2,013,638
Other assets		
Contributions receivable restricted to investment in capital projects	9,029	9,029
Deposits	16,400	16,400
Total other assets	25,429	25,429
Total assets	\$ 4,174,702	\$ 4,229,350
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 45,624	\$ 37,111
Accrued expenses	191,204	170,686
Total liabilities	236,828	207,797
Commitments and contingencies		
Net assets		
Unrestricted	3,295,959	3,305,160
Temporarily restricted	641,915	716,393
Total net assets	3,937,874	4,021,553
Total liabilities and net assets	\$ 4,174,702	\$ 4,229,350

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

Career and Recovery Resources, Inc.
Statements of Activities and Changes in Net Assets

For the years ended June 30,

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions	\$ 285,462	\$ 1,384,915	\$ 1,670,377	\$ 252,748	\$ 1,464,496	\$ 1,717,244
Capital campaign contributions	-	2,617	2,617	-	3,915	3,915
Government fees and grants	2,765,327	-	2,765,327	2,742,995	-	2,742,995
Program service fees	32,690	-	32,690	20,029	-	20,029
Interest income	526	-	526	565	-	565
Net assets released from restrictions:						
Expiration of timing restrictions	1,297,671	(1,297,671)	-	1,299,611	(1,299,611)	-
Satisfaction of program restrictions	164,339	(164,339)	-	133,366	(133,366)	-
Total support and revenue	4,546,015	(74,478)	4,471,537	4,449,314	35,434	4,484,748
Expenses						
Employment related services	2,104,975	-	2,104,975	2,027,130	-	2,027,130
Drug and alcohol abuse	1,425,860	-	1,425,860	1,386,045	-	1,386,045
Management and general	926,756	-	926,756	831,711	-	831,711
Development	97,625	-	97,625	121,640	-	121,640
Total expenses	4,555,216	-	4,555,216	4,366,526	-	4,366,526
Changes in net assets	(9,201)	(74,478)	(83,679)	82,788	35,434	118,222
Net assets at beginning of year	3,305,160	716,393	4,021,553	3,222,372	680,959	3,903,331
Net assets at end of year	\$ 3,295,959	\$ 641,915	\$ 3,937,874	\$ 3,305,160	\$ 716,393	\$ 4,021,553

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

Career and Recovery Resources, Inc.
Statement of Functional Expenses

	Program Services			Supporting Services			
	Employment Related Services	Drug and Alcohol Abuse	Total	Management and General	Development	Total	Total
<i>For the year ended June 30, 2014</i>							
Salaries	\$ 1,017,088	\$ 920,078	\$ 1,937,166	\$ 600,318	\$ 37,116	\$ 637,434	\$ 2,574,600
Fringe benefits	212,438	185,233	397,671	131,516	7,403	138,919	536,590
Total salaries and fringe benefits	1,229,526	1,105,311	2,334,837	731,834	44,519	776,353	3,111,190
Occupancy	111,144	125,500	236,644	144,754	1,298	146,052	382,696
Professional fees	36,327	43,248	79,575	133,104	8,016	141,120	220,695
Supplies	11,095	13,177	24,272	13,907	277	14,184	38,456
Conferences	5,450	9,425	14,875	6,577	254	6,831	21,706
Equipment rental/maintenance	1,251	20	1,271	101,026	-	101,026	102,297
Telephone	22,376	19,482	41,858	13,356	365	13,721	55,579
Insurance	-	-	-	53,761	-	53,761	53,761
Printing	4,234	1,281	5,515	6,659	947	7,606	13,121
Depreciation	3,676	4,953	8,629	48,695	236	48,931	57,560
Miscellaneous	887	973	1,860	14,856	37,611	52,467	54,327
Assistance to individuals	375,098	13,076	388,174	48	-	48	388,222
Postage	398	2,582	2,980	2,091	590	2,681	5,661
Travel	32,393	8,421	40,814	9,009	122	9,131	49,945
Management allocations	271,120	78,411	349,531	(352,921)	3,390	(349,531)	-
Total functional expenses	\$ 2,104,975	\$ 1,425,860	\$ 3,530,835	\$ 926,756	\$ 97,625	\$ 1,024,381	\$ 4,555,216

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

Career and Recovery Resources, Inc.
Statement of Functional Expenses

<i>For the year ended June 30, 2013</i>	Program Services			Supporting Services			
	Employment Related Services	Drug and Alcohol Abuse	Total	Management and General	Development	Total	Total
Salaries	\$ 883,424	\$ 886,442	\$ 1,769,866	\$ 588,111	\$ 58,770	\$ 646,881	\$ 2,416,747
Fringe benefits	159,322	163,386	322,708	100,230	11,781	112,011	434,719
 Total salaries and fringe benefits	 1,042,746	 1,049,828	 2,092,574	 688,341	 70,551	 758,892	 2,851,466
Occupancy	106,433	136,983	243,416	150,255	3,171	153,426	396,842
Professional fees	159,803	30,897	190,700	116,049	-	116,049	306,749
Supplies	8,297	9,675	17,972	12,779	513	13,292	31,264
Conferences	2,124	1,195	3,319	6,689	-	6,689	10,008
Equipment rental / maintenance	1,475	-	1,475	103,656	-	103,656	105,131
Telephone	21,398	22,748	44,146	16,722	361	17,083	61,229
Insurance	-	-	-	50,999	-	50,999	50,999
Printing	5,933	3,822	9,755	4,903	1,116	6,019	15,774
Depreciation	3,637	5,044	8,681	48,049	232	48,281	56,962
Miscellaneous	1,193	2,850	4,043	4,220	40,336	44,556	48,599
Assistance to individuals	372,876	14,963	387,839	-	-	-	387,839
Postage	473	1,917	2,390	890	757	1,647	4,037
Travel	25,885	5,453	31,338	8,005	284	8,289	39,627
Management allocations	274,857	100,670	375,527	(379,846)	4,319	(375,527)	-
 Total functional expenses	 \$ 2,027,130	 \$ 1,386,045	 \$ 3,413,175	 \$ 831,711	 \$ 121,640	 \$ 953,351	 \$ 4,366,526

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

Career and Recovery Resources, Inc.
Statements of Cash Flows

<i>For the years ended June 30,</i>	2014	2013
Operating activities		
Changes in net assets	\$ (83,679)	\$ 118,222
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	57,560	56,962
Bad debt expense	1,099	-
Contributions restricted to capital projects	(2,617)	(3,915)
Changes in operating assets and liabilities		
Grants receivable	122,508	(137,365)
Accounts receivable	1,368	300
Contributions receivable	25,695	38,469
Prepaid expenses	(9,228)	(5,220)
Accounts payable	8,513	(16,184)
Accrued expenses	20,518	59,175
Net cash provided by operating activities	141,737	110,444
Investing activities		
Reinvestment of interest income	(113)	(118)
Purchases of property and equipment	-	(5,133)
Net cash used in investing activities	(113)	(5,251)
Financing activities		
Proceeds from contributions restricted to capital projects	2,617	3,915
Cash payments on note payable	-	(38,501)
Net cash provided by (used in) financing activities	2,617	(34,586)
Net change in cash and cash equivalents	144,241	70,607
Cash and cash equivalents at beginning of year	996,867	926,260
Cash and cash equivalents at end of year	\$ 1,141,108	\$ 996,867
Supplemental disclosure cash flow information		
Cash paid for interest	\$ -	\$ 1,121

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

Career and Recovery Resources, Inc. Notes to the Financial Statements

NOTE 1: ORGANIZATION

Career and Recovery Resources, Inc. (the "Agency"), a Texas not-for-profit corporation established in 1945, provides a range of professional services to help people establish career goals, learn job search and vocational skills, obtain and keep jobs, and maintain lives free of drugs and alcohol. In addition, the Agency meets employers' needs with specialized services designed to reduce hiring costs and assist in outplacement counseling.

The Agency's primary funding sources are:

- The United Way of the Texas Gulf Coast
- U.S. Department of Health and Human Services
- U.S. Department of Housing and Urban Development
- U.S. Department of Labor
- U.S. Department of Veteran Affairs
- Texas Department of State Health Services
- City of Houston
- Houston-Galveston Area Council
- Texas Department of Criminal Justice Administrative Office of U.S. Courts
- Texas Department of Assistive and Rehabilitative Services
- Harris County Courts and Probation Office

The Agency's services include:

Employment Related Services

- Job Placement Services - teaches skills that give job-seekers a competitive edge in today's market. Resources include a comprehensive job bank, resource center and assistance to employers with staffing needs. The Waller County office offers hands-on computer training and English as a second language (ESL) classes.
- Employment Services for the Disabled - specialized job placement assistance for disabled persons with funding from the U.S. Department of Education and the Texas Department of Assistive and Rehabilitative Services.
- Career Development Services- helps individuals explore interests and abilities, research occupational choices, sharpen job search skills, and overcome barriers to success.
- Deaf Services- specialized services for people who are deaf/hard of hearing, including literacy education (providing basic math, reading and writing skills), computer skills and job placement services.

Career and Recovery Resources, Inc. Notes to the Financial Statements

NOTE 1: ORGANIZATION (Continued)

- Skilled and Professional Services - helps degreed professionals or persons with substantive skills to assist them in defining a clear career path and obtain guidance to effective resume preparation, salary and benefit negotiating techniques and more.
- Supportive Services for Veteran Families – strives to prevent homelessness and enhance the housing stability of very low-income veteran families.
- Homeless Veterans’ Reintegration Program – collaborates with many veteran – serving organizations to ensure that homeless veterans receive all possible assistance in re-entering the workforce and community life in general.

Drug and Alcohol Abuse Services

Substance Abuse Treatment, Prevention and Information - The Alternative Program helps men and women learn to lead productive lives without abusing drugs or alcohol. Services include outpatient supportive/intensive counseling, drug and alcohol education, and HIV testing and education. The Substance Abuse Prevention Program provides information, training and education on the dangers of drug abuse. The project is targeted to high risk children and youth.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Agency’s financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Agency 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. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

- Unrestricted - Net assets that are not subject to donor-imposed stipulations and that may be designated for specific purpose by action of the Board of Directors.
- Temporarily restricted- Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Agency and/or passage of time. This classification includes contributions and unconditional promises to give for which the ultimate purpose of the proceeds is to be used for a specific purpose or time period.
- Permanently restricted - Net assets subject to donor-imposed stipulations that must be maintained in perpetuity by the Agency. The Agency has no permanently restricted net assets.



Career and Recovery Resources, Inc.
Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Agency considers all highly liquid investments with original maturities of three months or less at date of purchase to be cash equivalents.

Certificates of Deposit

The Agency's certificates of deposit have original maturities of six months.

Grants Receivable

Grants receivable consist of private and government grants and are considered to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when the determination is made.

Contributions and Accounts Receivable

Contributions are recorded as revenue in the year they are received unless they contain a conditional promise to give. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Management of the Agency considers the contributions and accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded. If amounts become uncollectible, they will be charged to operations when that determination is made.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Government Grants

Support funded by grants is recognized as the Agency performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.



Career and Recovery Resources, Inc. Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Expenditures for property, equipment, and improvements are capitalized at cost. Equipment expenditures of \$500 or less are charged to expense. Ordinary repairs and maintenance are charged to expense when incurred. Donated assets are capitalized, and recorded as support, at their fair market value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets when the restrictions are met. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to forty years.

Equipment purchases made from temporarily restricted net assets, where the Agency does not have title to the equipment and is legally obligated to return it to the funding source at the end of the grant or contract period, are accounted for as expenses and as net assets released from restrictions at the time of acquisition.

Impairment of Long-Lived Assets

The Agency's long-lived assets are evaluated for impairment in accordance with generally accepted accounting principles which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. No impairment of long-lived assets was noted for the years ended June 30, 2014 and 2013.

Advertising Costs

Advertising costs are expensed as they are incurred. The Agency expended \$1,265 and \$1,446 for advertising for the years ended June 30, 2014 and 2013, respectively.

Fundraising Activities

The Agency incurred expenses totaling \$37,589 and \$40,528 for the years ended June 30, 2014 and 2013, respectively, related to fundraising.



Career and Recovery Resources, Inc.
Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Expenses which are directly associated with a particular program are charged to that program. Expenses that cannot be directly identified with a specific program are charged to the various programs based upon salaries, square footage, or other reasonable methods for allocating multiple program expenditures.

Fair Value Considerations

The Agency uses fair value to measure financial and certain nonfinancial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Agency did not elect the fair value option for the measurement of any eligible assets or liabilities.

The Agency's financial instruments (primarily cash and cash equivalents, certificates of deposit, various receivables and liabilities) are carried in the accompanying statements of financial position at amounts which reasonably approximate fair value.

Income Taxes

The Agency is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). In addition, the Agency has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. The Agency is subject to income tax on unrelated business income. No unrelated business income tax was paid in 2014 or 2013.

The Agency accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of June 30, 2014, management believes there were no uncertain tax positions.

Career and Recovery Resources, Inc.
Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenues and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used. Estimates that have the most impact on financial position and results of operations primarily relate to the collectability of receivables, the useful lives and recoverability of property and equipment, and allocation of expenses by function. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Subsequent Events

The Agency has evaluated subsequent events through the date the financial statements were available for issuance on September 23, 2014. No matters were identified affecting the accompanying financial statements or related disclosures.

NOTE 3: CONCENTRATION OF CREDIT RISK

The Agency received 72% of its revenue and support during 2014 from four organizations and 52% of its revenue and support was received from three organizations during 2013. A significant decline in contribution revenue and governmental support could have an adverse impact on the Agency's future operating results. At June 30, 2014 and 2013, amounts due from one donor accounted for 68% and 57%, respectively, of the Agency's receivables.

The Agency maintains cash accounts at various banks, which at times, may exceed the Federal Deposit Insurance Corporation's limit. The Agency has not experienced any losses from maintaining cash accounts in excess of the federally insured limit. Management reviews the credit ratings of the financial institutions with which it conducts business on an annual basis and believes any credit risk is low due to the overall financial strength of the financial institutions.

NOTE 4: CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following:

<i>June 30,</i>	2014	2013
Certificate of deposit, interest rate 0.1%, maturing September 18, 2014 and October 28, 2013, respectively	\$ 10,097	\$ 10,086
Certificate of deposit, interest rate 0.10%, maturing November 4, 2014 and November 4, 2013, respectively	101,939	101,837
	\$ 112,036	\$ 111,923

Career and Recovery Resources, Inc.
Notes to the Financial Statements

NOTE 5: CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

<i>June 30,</i>	2014	2013
United Way	\$ 607,720	\$ 607,342
Barrier Breaker	35,577	12,749
Other	250	50,250
<hr/>		
Total contributions receivable, exclusive of capital campaign receivables	643,547	670,341
Capital campaign	9,029	9,029
<hr/>		
	\$ 652,576	\$ 679,370

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>June 30,</i>	2014	2013
Land	\$ 1,542,344	\$ 1,542,344
Building	797,235	797,235
Furniture and equipment	326,304	326,304
<hr/>		
	2,665,883	2,665,883
Accumulated depreciation	(709,805)	(652,245)
<hr/>		
	\$ 1,956,078	\$ 2,013,638

Depreciation expense amounted to \$57,560 and \$56,962 in 2014 and 2013, respectively.

NOTE 7: COMPENSATED ABSENCES

The Agency provides vacation and sick leave benefits to its employees. The cost of vacation benefits is recorded when such benefits are earned, as these are payable upon termination. The cost of sick leave benefits, which are not payable upon employee termination, is recorded when such benefits are taken. Accrued vacation benefits approximated \$111,000 and \$103,000 as of June 30, 2014 and 2013, respectively.

Career and Recovery Resources, Inc.
Notes to the Financial Statements

NOTE 8: EMPLOYEE RETIREMENT PLAN

The Agency has a profit sharing plan and an annual discretionary distribution is made by the Agency. Contributions for the year ended June 30, 2014 totaled \$65,000, which are included as fringe benefits in the accompanying statements of functional expenses. The Agency made no contributions for the year ended June 30, 2013.

NOTE 9: LINE OF CREDIT

The Agency has a \$300,000 bank line of credit which matures on October 31, 2014. Amounts borrowed under this agreement bear interest at the bank's prime rate as published in the Wall Street Journal per annum. At June 30, 2014 and 2013, there was no outstanding balance. The line is secured by the Agency's property.

NOTE 10: IN-KIND CONTRIBUTIONS

The Agency uses donated space for office use in Waller County, Texas where employment related services are provided. This space is accounted for as an in-kind contribution, based on the fair value of rentals provided by the donor which totaled \$43,160 and \$38,269 in 2014 and 2013, respectively. These amounts are reflected in the accompanying financial statements for the years ended June 30, 2014 and 2013 as contributions revenue, with a corresponding rent expense recorded to occupancy expenses.

NOTE 11: OPERATING LEASES

The Agency leases facilities and equipment under operating leases expiring through fiscal year 2020. During the years ended June 30, 2014 and 2013, rent incurred for leased facilities and equipment amounted to \$129,247 and \$149,795, respectively.

Future minimum lease payments under non-cancellable operating leases are as follows:

<i>Year ending June 30,</i>	
2015	\$ 72,094
2016	61,180
2017	29,987
2018	19,197
2019	11,832
Thereafter	3,944
	\$ 198,234

Career and Recovery Resources, Inc.
Notes to the Financial Statements

NOTE 12: TEMPORARILY RESTRICTED NET ASSETS

At June 30, temporarily restricted net assets are available for the following purposes or periods:

<i>June 30,</i>	2014	2013
Employment related services	\$ 54,176	\$ 141,616
Alternative services	9,980	-
Caroline operating expense fund	5,000	5,000
Capital campaign	12,947	10,330
For periods after June 30	559,812	559,447
	\$ 641,915	\$ 716,393

NOTE 13: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes specified by the donor as follows:

<i>For the years ended June 30,</i>	2014	2013
Employment and training programs	\$ 164,339	\$ 133,366
Timing restrictions	1,297,671	1,299,611
	\$ 1,462,010	\$ 1,432,977

NOTE 14: COMMITMENTS AND CONTINGENCIES

Grant Assistance

The Agency receives significant financial assistance from federal, state and local government agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits would become a liability of the Agency. However, in the opinion of management, any potential disallowed claims, if any, would not have a material effect on the Agency's financial statements.



SINGLE AUDIT REPORTS

Career and Recovery Resources, Inc. Schedule of Expenditures of Federal Awards

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-through Grantor/Contract Number	Program or Award Amount	2014 Expenditures
U.S. Department of Housing and Urban Development				
Pass-through programs				
City of Houston				
Supportive Housing Program	14.235	TX0178B6E001104	\$ 117,111	\$ 9,696
Supportive Housing Program	14.235	TX0178L6E001205	117,111	110,425
Total Supportive Housing Program				120,121
Pass-Through Programs				
Texas Department of Housing & Community Affairs				
Emergency Solutions Grant Program	14.231	42120001527	452,685	67,035
Total U.S. Department of Housing and Urban Development				187,156
U.S. Department of Labor				
Direct Program				
Homeless Veterans Reintegration Project	17.805	HV-23263-12-60-5-48	300,000	299,907
U.S. Department of Veteran Affairs				
Direct Program				
Supportive Services for Veteran Families	64.003	12-TX-235	439,999	126,987
Supportive Services for Veteran Families	64.003	14-TX-076	885,998	596,378
Total U.S. Department of Veteran Affairs				723,365
U.S. Department of Health and Human Services				
Pass-Through Programs				
City of Houston Department of Health and Human Services -				
HIV Prevention Activities - Non-Government Organization Based	93.939	4600008434/C13-001-3	143,423	72,575
Texas Department of State Health Services				
Block Grant for Prevention and Treatment of Substance Abuse	93.959	2013-041855	577,409	105,825
Block Grant for Prevention and Treatment of Substance Abuse	93.959	2014-044423	605,879	503,045
Total Block Grant for Prevention and Treatment of Substance Abuse				608,870
Total U.S. Department of Health and Human Services				681,445
Total Expenditures of Federal Awards				\$ 1,891,873

See independent auditor's report and accompanying notes to Schedule of Expenditures of Federal Awards.

Career and Recovery Resources, Inc.
Notes to Schedule of Expenditures of Federal Awards

NOTE 1: BASIS OF PRESENTATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of Career and Recovery Resources, Inc. (the Agency) during the year ended June 30, 2014. The Agency's accounting policies and procedures are defined in Note 2 to the basic financial statements. All federal awards received directly from Federal agencies, as well as awards passed through other government agencies, have been included in the accompanying schedule of expenditures of federal awards.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards has been prepared using the accrual method of accounting whereby grant revenues are recognized as expenditures are incurred. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The information in this schedule is presented in accordance with the requirements of OMS Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*.

NOTE 3: RECONCILIATION TO FINANCIAL STATEMENTS

The following reconciles the accompanying schedule of expenditures of Federal awards to government fees and grants as reported in the financial statements of the Agency:

<i>For the year ended June 30,</i>	2014
Total expenditures of federal awards per accompanying schedule	\$ 1,891,873
Other federal and state vendor contracts	873,454
<hr/>	
Total government fees and grants per Statements of Activities and Changes in Net Assets	\$ 2,765,327

NOTE 4: INSURANCE COVERAGE

During the year ended June 30, 2014, the Agency maintained the following types of insurance:

- Commercial general liability including professional liability and property coverage includes \$1,000,000 million each occurrence, \$3,000,000 general aggregate.
- Automobile liability- \$1,000,000 combined single limit.
- Umbrella liability coverage includes \$3,000,000 each occurrence, \$3,000,000 aggregate.
- Directors and officer liability (including employment practices) coverage includes \$1,000,000 each occurrence, \$3,000,000 aggregate.
- Professional liability includes \$1,000,000 each occurrence, \$3,000,000 aggregate.
- Workers compensation coverage includes \$1,000,000 for each accident.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Career and Recovery Resources, Inc.
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Career and Recovery Resources (the "Agency"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Houston, Texas
September 23, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
Career and Recovery Resources, Inc.
Houston, Texas

Report on Compliance for Each Major Federal Program

We have audited Career and Recovery Resources, Inc. (the "Agency") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2014. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Houston, Texas
September 23, 2014

**Career and Recovery Resources, Inc.
Schedule of Findings and Questioned Costs**

SECTION I: SUMMARY OF AUDITOR’S RESULTS

2014 Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

2014 Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major programs:

CFDA Number

64.003

Name of Federal Program

Support Services for Veteran Families

**Career and Recovery Resources, Inc.
Schedule of Findings and Questioned Costs**

SECTION I: SUMMARY OF AUDITOR'S RESULTS (Continued)

Dollar threshold used to distinguish between
Type A and type B programs:

Federal	\$300,000
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Auditee qualified as low-risk auditee?

Federal	<u> X </u>	yes	<u> </u>	no
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SECTION II: FINANCIAL STATEMENT FINDINGS

None for the year ended June 30, 2014.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None for the year ended June 30, 2014.

SCHEDULE IV: SCHEDULE OF PRIOR YEAR FINDINGS

None for the year ended June 30, 2013.