

**Career and Recovery
Resources, Inc.**

**FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORTS
(As Reissued)**

June 30, 2019 and 2018



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INDEPENDENT AUDITORS' 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, 2019 and 2018, 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 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 auditors' 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, management has adopted Financial Accounting Standards Board ASU 2016-14 Not-for-Profit Entities (Topic 958); this new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

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 Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 October 23, 2019, 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 solely 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 the effectiveness of the Agency's 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

October 23, 2019,

(except for the schedule of expenditures of federal awards, as to which the date is January 22, 2020)

Career and Recovery Resources, Inc.
Statements of Financial Position

<i>June 30,</i>	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 995,397	\$ 1,362,241
Certificates of deposit	122,911	122,380
Grants receivable	448,979	341,714
Accounts receivable	3,299	4,155
Contributions receivable	348,878	473,364
Prepaid expenses	45,835	44,537
Total current assets	1,965,299	2,348,391
Property and equipment, net	3,612,004	3,681,423
Other assets		
Deposits	18,148	18,148
Total assets	\$ 5,595,451	\$ 6,047,962
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 49,816	\$ 48,843
Accrued expenses	77,549	139,433
Total liabilities	127,365	188,276
Commitments and contingencies		
Net assets		
Without donor restrictions		
Designated for specific purpose	16,883	16,883
Undesignated	4,938,645	5,492,124
Total without donor restrictions	4,955,528	5,509,007
With donor restrictions	512,558	350,679
Total net assets	5,468,086	5,859,686
Total liabilities and net assets	\$ 5,595,451	\$ 6,047,962

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

Career and Recovery Resources, Inc.
Statements of Activities

<i>For the years ended June 30,</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Contributions	\$ 194,485	\$ 1,205,197	\$ 1,399,682	\$ 385,630	\$ 1,029,223	\$ 1,414,853
Capital campaign contributions	-	25,000	25,000	-	1,005,175	1,005,175
Government fees and grants	1,890,814	-	1,890,814	2,618,883	-	2,618,883
Program service fees	22,660	-	22,660	37,823	-	37,823
Miscellaneous income	6,493	-	6,493	1,420	-	1,420
Net assets released from restrictions						
Expiration of timing restrictions	659,156	(659,156)	-	806,358	(806,358)	-
Satisfaction of donor restrictions	409,162	(409,162)	-	1,382,689	(1,382,689)	-
Total support and revenue	3,182,770	161,879	3,344,649	5,232,803	(154,649)	5,078,154
Expenses						
Employment related services	1,060,807	-	1,060,807	1,706,769	-	1,706,769
Drug and alcohol abuse	1,547,228	-	1,547,228	1,566,486	-	1,566,486
Management and general	1,024,948	-	1,024,948	781,371	-	781,371
Development	103,266	-	103,266	133,085	-	133,085
Total expenses	3,736,249	-	3,736,249	4,187,711	-	4,187,711
Changes in net assets	(553,479)	161,879	(391,600)	1,045,092	(154,649)	890,443
Net assets at beginning of year	5,509,007	350,679	5,859,686	4,463,915	505,328	4,969,243
Net assets at end of year	\$ 4,955,528	\$ 512,558	\$ 5,468,086	\$ 5,509,007	\$ 350,679	\$ 5,859,686

The accompanying notes 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, 2019</i>							
Salaries	\$ 399,170	\$ 1,015,233	\$ 1,414,403	\$ 510,404	\$ 44,442	\$ 554,846	\$ 1,969,249
Fringe benefits	76,003	205,575	281,578	73,403	13,302	86,705	368,283
Total salaries and fringe benefits	475,173	1,220,808	1,695,981	583,807	57,744	641,551	2,337,532
Occupancy	96,150	155,690	251,840	50,078	-	50,078	301,918
Professional fees	130,049	44,660	174,709	196,126	-	196,126	370,835
Supplies	7,187	12,346	19,533	19,592	379	19,971	39,504
Conferences	16,353	3,210	19,563	4,209	-	4,209	23,772
Equipment rental/maintenance	3,601	4,249	7,850	139,460	-	139,460	147,310
Telephone	21,548	17,416	38,964	13,750	378	14,128	53,092
Insurance	22,980	-	22,980	33,051	-	33,051	56,031
Printing	260	3,524	3,784	10,053	72	10,125	13,909
Depreciation	-	-	-	109,197	-	109,197	109,197
Miscellaneous	-	1,825	1,825	9,058	40,373	49,431	51,256
Assistance to individuals	195,973	7,347	203,320	-	-	-	203,320
Postage	118	1,837	1,955	3,064	339	3,403	5,358
Travel	10,959	3,616	14,575	6,718	1,922	8,640	23,215
Management allocations	80,456	70,700	151,156	(153,215)	2,059	(151,156)	-
Total functional expenses	\$ 1,060,807	\$ 1,547,228	\$ 2,608,035	\$ 1,024,948	\$ 103,266	\$ 1,128,214	\$ 3,736,249

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

Career and Recovery Resources, Inc.
Statement of Functional Expenses

<i>For the year ended June 30, 2018</i>	Program Services			Supporting Services			
	Employment Related Services	Drug and Alcohol Abuse	Total	Management and General	Development	Total	Total
Salaries	\$ 623,477	\$ 1,032,250	\$ 1,655,727	\$ 496,664	\$ 46,864	\$ 543,528	\$ 2,199,255
Fringe benefits	126,154	231,387	357,541	116,963	12,404	129,367	486,908
Total salaries and fringe benefits	749,631	1,263,637	2,013,268	613,627	59,268	672,895	2,686,163
Occupancy	81,729	133,867	215,596	38,752	-	38,752	254,348
Professional fees	90,936	55,840	146,776	109,927	-	109,927	256,703
Supplies	17,987	12,006	29,993	18,738	-	18,738	48,731
Conferences	2,519	5,289	7,808	3,615	-	3,615	11,423
Equipment rental/maintenance	730	12,993	13,723	94,022	-	94,022	107,745
Telephone	23,041	13,102	36,143	5,930	193	6,123	42,266
Insurance	-	-	-	52,021	-	52,021	52,021
Printing	3,086	2,316	5,402	4,464	-	4,464	9,866
Depreciation	-	-	-	49,400	-	49,400	49,400
Miscellaneous	4,743	150	4,893	16,535	68,336	84,871	89,764
Assistance to individuals	533,640	10,135	543,775	-	-	-	543,775
Postage	2,439	2,198	4,637	2,015	3,435	5,450	10,087
Travel	15,064	4,092	19,156	6,178	85	6,263	25,419
Management allocations	181,224	50,861	232,085	(233,853)	1,768	(232,085)	-
Total functional expenses	\$ 1,706,769	\$ 1,566,486	\$ 3,273,255	\$ 781,371	\$ 133,085	\$ 914,456	\$ 4,187,711

The accompanying notes 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>	2019	2018
Operating activities		
Changes in net assets	\$ (391,600)	\$ 890,443
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation	109,197	49,400
Contributions restricted to capital projects	(25,000)	(1,005,175)
Bad debt expense	-	6,826
Changes in operating assets and liabilities		
Grants receivable	(107,265)	(55,831)
Accounts receivable	856	1,990
Contributions receivable	124,486	71,588
Prepaid expenses	(1,298)	6,509
Deposits	-	(1,748)
Accounts payable	973	28,722
Accrued expenses	(61,884)	(50,262)
Net cash used in operating activities	(351,535)	(57,538)
Investing activities		
Reinvestment of interest income	(531)	(14)
Purchases of property and equipment	(39,778)	(1,799,768)
Net cash used in investing activities	(40,309)	(1,799,782)
Financing activities		
Proceeds from contributions restricted to capital projects	25,000	1,014,204
Net change in cash and cash equivalents	(366,844)	(843,116)
Cash and cash equivalents at beginning of year	1,362,241	2,205,357
Cash and cash equivalents at end of year	\$ 995,397	\$ 1,362,241

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

Career and Recovery Resources, Inc. Notes to 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 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.

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

Change in Accounting Principle

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The Agency has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Agency's financial statements:

- The temporarily restricted net asset class has been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 3).
- Disclosures have been expanded regarding the allocation of expenses by function (Note 2).

Basis of Accounting

The financial statements are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. The Agency reports information regarding its financial position and activities according to two classes of net assets:

- Net Assets without Donor Restrictions – Net assets not subject to donor-imposed stipulations and that may be designated for specific purpose by action of the Board of Directors.
- Net Assets with Donor Restrictions – Net assets whose use is limited by donor - imposed time and/or purpose restrictions.



Career and Recovery Resources, Inc.
Notes to 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.

As of June 30, 2019 and 2018, designated cash of \$16,883 relates to the capital campaign, which is included in cash and cash equivalents.

Certificates of Deposit

The Agency's certificates of deposit have original maturities between six and thirteen 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 with or without donor restrictions, 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 net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities 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 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 without donor restriction 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 with donor restriction 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. 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 net assets with donor restrictions, 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, 2019 and 2018.

Advertising Costs

Advertising costs are expensed as they are incurred. The Agency expended \$4,793 for advertising for the year ended June 30, 2018. No amounts were expended on advertising for the year ended June 30, 2019.

Fundraising Activities

The Agency incurred expenses totaling \$103,266 and \$133,085 for the years ended June 30, 2019 and 2018, respectively, related to fundraising.



Career and Recovery Resources, Inc.
Notes to 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 statements of functional expenses. Costs identifiable to a program or supporting service, such as professional fees and assistance to individuals, are charged directly to that particular service. Shared costs are allocated amongst the various programs and supporting services. Personnel expenses are allocated based upon actual time and effort. Occupancy costs are allocated based on square footage occupied by the program or supportive service. Other expenses are allocated based on usage of benefits.

Fair Value Considerations

The Agency uses fair value to measure financial and certain nonmonetary financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. The Agency's financial instruments (primarily cash and cash equivalents, certificates of deposit, receivables, and payables) are carried in the accompanying financial statements 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 2019 and 2018.

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, 2019 and 2018, management believes there were no uncertain tax positions.

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.

Subsequent Events

In August 2019, the Agency was notified by the U.S. Department of Veteran Affairs of a \$935,546 Supportive Services for Veteran Families grant for 2019-20.

Career and Recovery Resources, Inc. Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In October 2019, the Agency was notified of a \$809,343 grant from the Coalition for the Homeless of Houston / Harris County, the purpose of which is to respond to homeless encampments and decrease the number of people experiencing unsheltered homelessness, particularly in Downtown Houston. The grant period runs from October 1, 2019 to August 31, 2020.

In October 2019, the Agency sold property with a net book value of \$60,000 for \$375,000.

The Agency has evaluated subsequent events through October 23, 2019 and January 22, 2020, the dates the financial statements were available to be issued. No matters were identified affecting the accompanying financial statements or related disclosures, except as noted above and in Note 3 regarding a line of credit.

Recent Financial Accounting Pronouncement

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which an Agency serves as a resource recipient for fiscal years beginning after December 15, 2018. The Agency is currently evaluating the impact of the guidance on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled *Leases*. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Agency is currently evaluating the impact of the guidance on its financial statements.

NOTE 3: LIQUIDITY AND AVAILABILITY OF RESOURCES

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Agency considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures. The Agency has a goal to maintain financial assets to meet 60 days of normal operating expenses. As part of its liquidity management, the Agency invests cash in excess of daily requirements in various money market accounts, short-term investments including certificates of deposits and short-term treasury instruments.

Career and Recovery Resources, Inc.
Notes to Financial Statements

NOTE 3: LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The Agency has \$1,919,464 of financial assets available within one year of the statement of financial position date consisting of cash and cash equivalents totaling \$995,397, certificates of deposit totaling \$122,911, grants and accounts receivable of \$452,278 and contribution receivable of \$348,878. Except for \$429,506 of receivables restricted by donors and \$16,883 of cash and cash equivalents designated for capital campaign, none of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure for operations of the Agency within one year of the balance sheet date. \$339,078 of receivables are subject to time restrictions but will be collected within one year. The remaining \$90,428 of restricted receivables are for Harvey assistance program and are expected to be satisfied within one year.

The Agency is currently working on securing a line of credit of \$300,000 to support one more month of operational expenses which it could draw upon in the event of an unanticipated liquidity need. The line of credit is expected to be finalized in calendar year 2020.

NOTE 4: CONCENTRATION OF CREDIT RISK

The Agency received 76% and 82% of its support and revenue during 2019 and 2018, respectively, from four and five organizations, respectively. A significant decline in contribution revenue and governmental support could have an adverse impact on the Agency's future operating results. At June 30, 2019 and 2018, amounts due from four donors accounted for 88% and 83%, 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 5: CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following:

<i>June 30,</i>	2019	2018
Certificate of deposit, interest rate 0.25%, maturing February 19, 2020 and February 24, 2019, respectively	\$ 10,156	\$ 10,135
Certificate of deposit, interest rate 1.14% and 0.25%, respectively, maturing November 4, 2019 and November 4, 2018, respectively	102,680	102,245
Certificate of deposit, interest rate 2.13% and 0.10%, respectively, maturing August 27, 2020 and October 27, 2018, respectively	10,075	10,000
	\$ 122,911	\$ 122,380

Career and Recovery Resources, Inc.
Notes to Financial Statements

NOTE 6: CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

<i>June 30,</i>	2019	2018
United Way	\$ 339,078	\$ 320,814
Barrier Breaker	6,550	149,300
Other	3,250	3,250
Total contributions receivable	\$ 348,878	\$ 473,364

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>June 30,</i>	2019	2018
Land	\$ 678,438	\$ 678,438
Building	3,435,165	3,401,478
Furniture and equipment	93,366	87,275
	4,206,969	4,167,191
Accumulated depreciation	(594,965)	(485,768)
	\$ 3,612,004	\$ 3,681,423

Depreciation expense totaled \$109,197 and \$49,400 for the years ended June 30, 2019 and 2018, respectively. Fully depreciated property and equipment retired from operations in 2018 totaled \$326,303. The Agency did not retire any fully depreciated property and equipment from operations in 2019.

NOTE 8: 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 \$56,000 and \$104,000, as of June 30, 2019 and 2018, respectively.



Career and Recovery Resources, Inc.
Notes to Financial Statements

NOTE 9: EMPLOYEE RETIREMENT PLAN

The Agency has a profit sharing plan and an annual discretionary distribution is made by the Agency. The Agency's contributions totaled \$45,000, for the year ended June 30, 2018 which is included as fringe benefits in the accompanying statements of functional expenses. No contributions were made to the profit sharing plan for the year ended June 30, 2019.

NOTE 10: IN-KIND CONTRIBUTIONS

The Agency uses donated space for office use in Waller County, Texas where program 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 \$8,694 each for the years ended June 30, 2019 and 2018. These amounts are reflected in the accompanying financial statements for the years ended June 30, 2019 and 2018 as contributions revenue, with a corresponding rent expense recorded to occupancy expenses.

NOTE 11: LINE OF CREDIT

At July 1, 2017, the Agency had a construction line of credit which was secured by a lien on the construction project financed through this facility and all assets to be used in connection with the project. The construction line of credit facility allowed for borrowings up to a maximum of \$1,000,000 through October 1, 2018 (conversion date), through which date the Agency will make interest only payments on the drawings. A principal payment in the amount of \$200,000 was due and payable beginning on the first payment date following the conversion date. The unpaid principal balance on the drawings was then to be amortized to determine the principal payment amount which would fully repay the principal balance in substantially equal yearly installments by April 1, 2022, the maturity date. Interest on the drawings were variable as defined in the loan agreement. There were also reporting requirements associated with the line.

During the year ended June 30, 2018, the Agency fully utilized the construction line of credit and made various payments throughout the year with a final payment on February 27, 2018, at which time the line was closed and the lien released.

NOTE 12: OPERATING LEASES

The Agency leases facilities and equipment under operating leases expiring through fiscal year 2023. During the years ended June 30, 2019 and 2018, rent incurred for leased facilities and equipment amounted to \$123,614 and \$107,575, respectively.

Career and Recovery Resources, Inc.
Notes to Financial Statements

NOTE 12: OPERATING LEASES (Continued)

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

<i>Year ending June 30,</i>		
2020	\$	113,107
2021		43,197
2022		21,375
2023		17,778
	\$	195,457

NOTE 13: DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTION

As of June 30, 2019 and 2018, the Agency's Board of Directors designated \$16,883 as a capital campaign reserve.

NOTE 14: NET ASSETS WITH DONOR RESTRICTIONS

At June 30, net assets with donor restrictions are available for the following purposes or periods:

<i>June 30,</i>	2019	2018
Subject to expenditure for specific purpose		
Employment related services	\$ 35,208	\$ 20,897
Harvey relief assistance	131,959	-
Capital campaign	1,313	-
Equipment maintenance	-	3,968
Caroline operating expense fund	5,000	5,000
Subject to passage of time	339,078	320,814
	\$ 512,558	\$ 350,679

NOTE 15: NET ASSETS RELEASED FROM RESTRICTIONS

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

<i>For the years ended June 30,</i>	2019	2018
Employment and training programs	\$ 385,475	\$ 377,514
Capital campaign	23,687	1,005,175
Timing restrictions	659,156	806,358
	\$ 1,068,318	\$ 2,189,047



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

NOTE 16: 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.

NOTE 17: CONDITIONAL PROMISES TO GIVE

During 2016, the Agency received a conditional promise to give of \$1,000,000, which was to be used to retire the borrowings on the construction line of credit (Note 11). The condition was met during the year ended June 30, 2018 and the revenue was recorded accordingly in 2018. Proceeds from this promise were used to retire the construction line of credit (Note 11).



SINGLE AUDIT REPORTS

Career and Recovery Resources, Inc.
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-through Grantor/Contract Number	Program or Award Amount	2019 Expenditures	Expenditures to Subrecipients
U.S. Department of Veteran Affairs					
Direct Program					
VA Supportive Services for Veteran Families	64.033	12-TX-076	\$ 894,363	\$ 180,722	\$ -
Total U.S. Department of Veteran Affairs				180,722	-
U.S. Department of Health and Human Services					
Pass-through programs					
Texas Department of State Health Services					
Women's Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048507-003	191,995	80,000	-
Women's Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048507	191,995	18,701	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048568-003	639,634	449,837	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048568	639,634	102,316	-
Total U.S. Department of Health and Human Services				650,854	-
Total Expenditures of Federal Awards				\$ 831,576	\$ -

See independent auditors' 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, 2019. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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>	2019
Total expenditures of federal awards per accompanying schedule	\$ 831,576
Other federal and state vendor contracts	1,059,238
Total government fees and grants per Statements of Activities	\$ 1,890,814

NOTE 4: INSURANCE COVERAGE

During the year ended June 30, 2019, the Agency maintained the following types of insurance:

- Commercial general liability including professional liability and property coverage includes \$1,000,000 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 fiduciary and employment practices)-\$2,000,000 aggregate, \$150,000 each occurrence.
- Professional liability includes \$1,000,000 each occurrence, \$3,000,000 aggregate.
- Workers compensation coverage includes \$1,000,000 for each accident.



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

NOTE 5: NONCASH ASSISTANCE

The Agency did not receive any federal noncash assistance for the year ended June 30, 2019.

NOTE 6: INDIRECT COST

The Agency has not elected to use the 10% de minimis indirect cost rate for the year ended June 30, 2019.

NOTE 7: LOANS AND LOAN GUARANTEES

The Agency did not have any loans or loan guarantee programs required to be reported on the schedule for the year ended June 30, 2019.

NOTE 8: REISSUANCE OF PREVIOUSLY REPORTED SINGLE AUDIT REPORTS

The Agency has reissued its previously reported single audit reports as of the year ended June 30, 2019. The reissuance of the Agency's single audit reports resulted from subsequent discovery that not all funds for Block Grants for Prevention and Treatment and Substance Abuse were state of Texas funds (as previously reported); rather they included federal awards which resulted in the Agency exceeding the \$750,000 threshold requiring a federal single audit. The single audit reports were reissued to include the schedule of expenditures of federal awards. The Agency no longer met the threshold to have a state of Texas single audit, and therefore the schedule of expenditures of state of Texas awards was removed in the reissued single audit reports.



Carr, Riggs & Ingram, LLC
Two Riverway, 15th Floor
Houston, TX 77056

(713) 621-8090
(713) 621-6907 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' 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, Inc. (the "Agency"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2019.

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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Agency'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
October 23, 2019



Carr, Riggs & Ingram, LLC
Two Riverway, 15th Floor
Houston, TX 77056

(713) 621-8090
(713) 621-6907 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2019. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2019.

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 the Uniform Guidance, 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Houston, Texas
January 22, 2020

**Career and Recovery Resources, Inc.
Schedule of Findings and Questioned Costs
For the year ended June 30, 2019**

SECTION I: SUMMARY OF AUDITORS' RESULTS

2019 Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiencies identified not considered to be material weaknesses? None noted

Noncompliance material to financial statements noted? No

2019 Federal Awards

Internal control over major programs:

- Material weakness (es) identified? No
- Significant deficiencies identified not considered to be material weaknesses? None noted

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

Any audit findings disclosed that are required to be reported in accordance with the *Uniform Guidance*? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.959	Women's Block Grants for Prevention and Treatment of Substance Abuse
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Career and Recovery Resources, Inc.
Schedule of Findings and Questioned Costs (Continued)
For the year ended June 30, 2019

SECTION I: SUMMARY OF AUDITORS' RESULTS (Continued)

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

Federal	\$750,000
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Auditee qualified as low-risk auditee?

Federal	Yes
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SECTION II: FINANCIAL STATEMENT FINDINGS

None for the year ended June 30, 2019.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None for the year ended June 30, 2019.

SCHEDULE IV: SCHEDULE OF PRIOR YEAR FINDINGS

None for the year ended June 30, 2018.