

**Career and Recovery
Resources, Inc.**

**FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORTS**

June 30, 2020 and 2019



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Career and Recovery Resources, Inc.
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June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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

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 28, 2020, 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 28, 2020

Career and Recovery Resources, Inc.
Statements of Financial Position

<i>June 30,</i>	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 1,113,985	\$ 995,397
Certificates of deposit	123,687	122,911
Grants receivable	242,600	448,979
Accounts receivable	3,048	3,299
Promises to give	623,185	348,878
Prepaid expenses	35,877	45,835
Total current assets	2,142,382	1,965,299
Property and equipment, net	3,512,759	3,612,004
Other assets		
Deposits	18,148	18,148
Total assets	\$ 5,673,289	\$ 5,595,451
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 33,554	\$ 49,816
Accrued expenses	87,632	77,549
Refundable advance - PPP	446,340	-
Total liabilities	567,526	127,365
Commitments and contingencies		
Net assets		
Without donor restrictions		
Designated for specific purpose	16,883	16,883
Undesignated	4,690,199	4,938,645
Total without donor restrictions	4,707,082	4,955,528
With donor restrictions	398,681	512,558
Total net assets	5,105,763	5,468,086
Total liabilities and net assets	\$ 5,673,289	\$ 5,595,451

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>	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Contributions	\$ 98,822	\$ 1,547,255	\$ 1,646,077	\$ 194,485	\$ 1,205,197	\$ 1,399,682
Capital campaign contributions	-	425	425	-	25,000	25,000
Government fees and grants	2,183,285	-	2,183,285	1,890,814	-	1,890,814
Program service fees	20,048	-	20,048	22,660	-	22,660
Miscellaneous income	18,416	-	18,416	6,493	-	6,493
Net assets released from restrictions						
Expiration of timing restrictions	660,480	(660,480)	-	659,156	(659,156)	-
Satisfaction of donor restrictions	1,001,077	(1,001,077)	-	409,162	(409,162)	-
Total support and revenue	3,982,128	(113,877)	3,868,251	3,182,770	161,879	3,344,649
Expenses						
Employment related services	2,007,695	-	2,007,695	1,060,807	-	1,060,807
Drug and alcohol abuse	1,480,361	-	1,480,361	1,547,228	-	1,547,228
Management and general	717,513	-	717,513	1,024,948	-	1,024,948
Development	25,005	-	25,005	103,266	-	103,266
Total expenses	4,230,574	-	4,230,574	3,736,249	-	3,736,249
Changes in net assets	(248,446)	(113,877)	(362,323)	(553,479)	161,879	(391,600)
Net assets at beginning of year	4,955,528	512,558	5,468,086	5,509,007	350,679	5,859,686
Net assets at end of year	\$ 4,707,082	\$ 398,681	\$ 5,105,763	\$ 4,955,528	\$ 512,558	\$ 5,468,086

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, 2020</i>							
Salaries	\$ 689,998	\$ 1,024,028	\$ 1,714,026	\$ 396,031	\$ 15,972	\$ 412,003	\$ 2,126,029
Fringe benefits	116,908	208,610	325,518	55,231	2,114	57,345	382,863
Total salaries and fringe benefits	806,906	1,232,638	2,039,544	451,262	18,086	469,348	2,508,892
Occupancy	52,704	88,308	141,012	38,629	-	38,629	179,641
Professional fees	30,020	48,964	78,984	99,635	-	99,635	178,619
Supplies	17,788	8,610	26,398	16,362	-	16,362	42,760
Conferences	3,387	5,632	9,019	667	-	667	9,686
Equipment rental/maintenance	9,820	6,433	16,253	135,518	-	135,518	151,771
Telephone	14,136	22,750	36,886	11,024	463	11,487	48,373
Insurance	5,551	-	5,551	41,829	-	41,829	47,380
Printing	-	2,804	2,804	1,082	-	1,082	3,886
Depreciation	-	-	-	114,563	-	114,563	114,563
Miscellaneous	1,101	-	1,101	2,187	4,946	7,133	8,234
Assistance to individuals	904,957	7,875	912,832	132	-	132	912,964
Postage	124	2,323	2,447	657	-	657	3,104
Travel	15,419	4,484	19,903	798	-	798	20,701
Management allocations	145,782	49,540	195,322	(196,832)	1,510	(195,322)	-
Total functional expenses	\$ 2,007,695	\$ 1,480,361	\$ 3,488,056	\$ 717,513	\$ 25,005	\$ 742,518	\$ 4,230,574

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, 2019</i>	Program Services			Supporting Services			
	Employment Related Services	Drug and Alcohol Abuse	Total	Management and General	Development	Total	Total
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.
Statements of Cash Flows

<i>For the years ended June 30,</i>	2020	2019
Operating activities		
Changes in net assets	\$ (362,323)	\$ (391,600)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	114,563	109,197
Contributions restricted to capital projects	(425)	(25,000)
Changes in operating assets and liabilities		
Grants receivable	206,379	(107,265)
Accounts receivable	251	856
Promises to give	(274,307)	124,486
Prepaid expenses	9,958	(1,298)
Accounts payable	(16,262)	973
Accrued expenses	10,083	(61,884)
Refundable advance - PPP	446,340	-
Net cash provided by (used in) operating activities	134,257	(351,535)
Investing activities		
Reinvestment of interest income	(776)	(531)
Purchases of property and equipment	(15,318)	(39,778)
Net cash used in investing activities	(16,094)	(40,309)
Financing activities		
Proceeds from contributions restricted to capital projects	425	25,000
Net change in cash and cash equivalents	118,588	(366,844)
Cash and cash equivalents at beginning of year	995,397	1,362,241
Cash and cash equivalents at end of year	\$ 1,113,985	\$ 995,397

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

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 (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updated (ASUs).

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.

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, 2020 and 2019, 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.

Career and Recovery Resources, Inc.
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Promises to Give and Accounts Receivable

Receivables 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 promises to give 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.

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, 2020 and 2019.

Career and Recovery Resources, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Refundable Advance and Revenue Recognition – PPP Loan

In May 2020, the Agency received a loan in the amount of \$446,340 under the Paycheck Protection Program (PPP) pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (the "SBA"). (See Note 8).

The Agency is recognizing revenue from the PPP loan following the guidance under FASB ASC 958- 605, government grant model. PPP loan funds are considered a conditional contribution and recorded as a refundable advance on the statements of financial position until all barriers are met. The Agency considers the barriers to be incurrence of eligible costs and maintaining specified levels of payroll and employment. Revenue is recognized once conditions have been substantially met or explicitly waived. The Agency is uncertain about qualifications for forgiveness and, therefore, will delay recognition of the PPP loan as contribution revenue until it is forgiven.

Net assets

The Agency reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- 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.

Revenue Recognition

The Agency recognizes contributions when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions received are recorded as increases in net assets with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purposes restriction is accomplished), 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.

Career and Recovery Resources, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency also receives funding from federal, state and local grants and contracts, which are conditioned upon certain performance requirements and/or occurrence of allowable qualifying expenses. Revenues are recognized when the Agency performs the contracted services or incurs expenditures in compliance with specific contract or grant provisions. 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.

Advertising Costs

Advertising costs are expensed as they are incurred. The Agency expended \$984 for advertising for the year ended June 30, 2020. No amounts were expended on advertising for the year ended June 30, 2019.

Fundraising Activities

The Agency incurred expenses totaling \$25,005 and \$103,266 for the years ended June 30, 2020 and 2019, respectively, related to fundraising.

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.

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 2020 and 2019.

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, 2020 and 2019, management believes there were no uncertain tax positions.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 28, 2020. See Note 16 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Career and Recovery Resources, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted 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 organization serves as a resource recipient for fiscal years beginning after December 15, 2018. Effective July 1, 2019, the Agency applied the provisions of this ASU on a modified prospective basis, which did not result in material impact to the financial statements.

Recent Financial Accounting Pronouncement

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update apply to Not-for-Profit entities that receive contributed nonfinancial assets. Under the guidance, entities are required to (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets and certain qualitative information. This new guidance is required to be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. 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, 2021. 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 the following financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure:

<i>June 30,</i>	2020	2019
Cash and cash equivalents	\$ 1,113,985	\$ 995,397
Certificates of deposit	123,687	122,911
Grants receivable	242,600	448,979
Accounts receivable	3,048	3,299
Promises to give	623,185	348,878
Less: unavailable for general expenditure within one year due to:		
Board designation as a capital campaign reserve	(16,883)	(16,883)
Donor imposed restrictions	(398,681)	(512,558)
Amounts available for general expenditure within one year	\$ 1,690,941	\$ 1,390,023

The Agency is currently working on securing a line of credit facility of \$500,000 which it could draw upon in the event of an unanticipated liquidity need. The line of credit is expected to be finalized in November 2020. See Note 16 for more details.

Note 4: CONCENTRATION OF CREDIT RISK

The Agency received 88% and 76% of its support and revenue during 2020 and 2019, respectively, from five and four 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, 2020 and 2019, amounts due from three and four donors, respectively, accounted for 85% and 88%, 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.

Career and Recovery Resources, Inc.
Notes to Financial Statements

Note 5: CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following:

<i>June 30,</i>	2020	2019
Certificate of deposit, interest rate 0.15% and 0.25%, respectively, maturing February 13, 2021 and February 19, 2020, respectively	\$ 10,184	\$ 10,156
Certificate of deposit, interest rate 1.14%, maturing November 4, 2020 and November 4, 2019, respectively	103,428	102,680
Certificate of deposit, interest rate 2.13%, maturing September 27, 2021 and August 27, 2020, respectively	10,075	10,075
	\$ 123,687	\$ 122,911

Note 6: PROMISES TO GIVE

Promises to give consist of the following:

<i>June 30,</i>	2020	2019
United Way	\$ 322,144	\$ 339,078
Coalition for the Homeless	297,791	-
Barrier Breaker	-	6,550
Other	3,250	3,250
Total	\$ 623,185	\$ 348,878

Note 7: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>June 30,</i>	2020	2019
Land	\$ 678,438	\$ 678,438
Building	3,435,165	3,435,165
Furniture and equipment	108,684	93,366
	4,222,287	4,206,969
Accumulated depreciation	(709,528)	(594,965)
	\$ 3,512,759	\$ 3,612,004

Depreciation expense totaled \$114,563 and \$109,197 for the years ended June 30, 2020 and 2019, respectively.

Career and Recovery Resources, Inc. Notes to Financial Statements

Note 8: REFUNDABLE ADVANCE – PPP LOAN

In May 2020, the Agency received a loan in the amount of \$446,340 under the PPP pursuant to the CARES Act and administered by the SBA. The PPP provides for forgivable loans to qualifying organizations. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll costs, rent and utilities and the borrower maintains specified levels of payroll and employment.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Principal and interest payments on the loan commence in December 2020 with 18 monthly payments of \$25,123 through the loan maturity date of May 2022. If the Agency submits its loan forgiveness application within ten months after the end of its loan forgiveness covered period, the principal and interest payments shall be deferred until SBA determines the loan forgiveness amount.

The Agency is using the PPP loan funds for its payroll and benefits costs, rent, and utilities, purposes consistent with the PPP. The Agency is in the process of preparing the SBA's forgiveness application, no assurance can be provided that the Agency will obtain forgiveness of the loan, in whole or in part. As of June 30, 2020, PPP loan funds are recorded as a refundable advance on the statements of financial position.

Note 9: 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 \$65,000 and \$56,000, as of June 30, 2020 and 2019, respectively.

Note 10: DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTION

As of June 30, 2020 and 2019, the Agency's Board of Directors designated \$16,883 as a capital campaign reserve.

Career and Recovery Resources, Inc.
Notes to Financial Statements

Note 11: 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>	2020	2019
Subject to expenditure for specific purpose		
Employment related services	\$ 69,799	\$ 35,208
Harvey relief assistance	-	131,959
Capital campaign	1,738	1,313
Caroline operating expense fund	5,000	5,000
Subject to passage of time	322,144	339,078
	\$ 398,681	\$ 512,558

Note 12: 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>	2020	2019
Employment and training programs	\$ 1,001,077	\$ 385,475
Capital campaign	-	23,687
Timing restrictions	660,480	659,156
	\$ 1,661,557	\$ 1,068,318

Note 13: CONTRIBUTED SERVICES

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, 2020 and 2019. These amounts are reflected in the accompanying financial statements for the years ended June 30, 2020 and 2019 as contributions revenue, with a corresponding rent expense recorded to occupancy expenses.

Note 14: EMPLOYEE RETIREMENT PLAN

The Agency has a profit sharing plan and an annual discretionary distribution may be made by the Agency. No contributions were made to the profit sharing plan for the years ended June 30, 2020 and 2019.

Career and Recovery Resources, Inc.
Notes to Financial Statements

Note 15: COMMITMENTS AND CONTINGENCIES

Operating Leases

The Agency leases facilities and equipment under operating leases expiring through fiscal year 2023. During the years ended June 30, 2020 and 2019, rent incurred for leased facilities and equipment amounted to \$114,903 and \$123,614, respectively.

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

<i>Year ending June 30,</i>		
2021	\$	42,920
2022		21,309
2023		17,778
	\$	82,007

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.

COVID-19

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. The continued spread of the COVID-19 pandemic has given rise in uncertainties that may have a significant negative impact on the operating activities and results of the Agency. The occurrence and extent of such impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions of travel of meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Note 16: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after December 31, 2020 through October 28, 2020, the date the Agency's financial statements were available to be issued. The following items occurred:

Career and Recovery Resources, Inc.
Notes to Financial Statements

Note 16: SUBSEQUENT EVENTS (Continued)

In October 2020, the Agency entered into a subrecipient agreement with the City of Houston for provision of rapid rehousing case management services under the U.S. Department of Housing and Urban Development's Emergency Solutions Grant. The maximum compensation for eligible activities under the subrecipient agreement is \$1,254,731 in Emergency Solutions Grants Coronavirus and \$125,473 in Community Development Block Grant Coronavirus funds. The term period for the subrecipient agreement is October 1, 2020 to March 31, 2022.

In October 2020, the Agency entered into a subrecipient agreement with the Texas Department of Housing and Community Affairs for provision of rapid rehousing case management services under the U.S. Department of Housing and Urban Development's Emergency Solutions Grant. The maximum compensation for eligible activities under the subrecipient agreement is \$448,533. The term period for the subrecipient agreement is July 23, 2020 to July 31, 2021.

In October 2020, the Agency sold property with a net book value of \$60,000 for \$375,000.

The Agency is working with a lender to finalize a 12 month, \$500,000 working capital line of credit facility (facility). Interest rate on the facility will be a variable rate based on Wall Street Journal Prime rate, with a floor of 4% and will be secured by real estate. The facility is expected to be finalized in November 2020.



SINGLE AUDIT REPORTS

Career and Recovery Resources, Inc.
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-through Grantor/Contract Number	2020 Expenditures	Expenditures to Subrecipients
U.S. Department of Veteran Affairs				
Direct Program				
VA Supportive Services for Veteran Families	64.033	20-TX-448	\$ 389,566	\$ -
COVID - 19 VA Supportive Services for Veteran Families	64.033	20-TX-448-CA	264,083	-
Total U.S. Department of Veteran Affairs			653,649	-
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	61,786	-
Women's Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048507-003	22,104	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048568-003	420,127	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048568-003	83,043	-
Total U.S. Department of Health and Human Services			587,060	-
Total Expenditures of Federal Awards			\$ 1,240,709	\$ -

*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

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Career and Recovery Resources, Inc. (the Agency) under programs of the federal government for the year ended June 30, 2020. 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). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Agency.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years.

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>	2020
Total expenditures of federal awards per accompanying schedule	\$ 1,240,709
Other federal and state vendor contracts	942,576
Total government fees and grants per Statements of Activities	\$ 2,183,285

Note 4: INSURANCE COVERAGE

During the year ended June 30, 2020, 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, 2020.

Note 6: INDIRECT COST

The Agency has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance for the year ended June 30, 2020.

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, 2020.



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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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2020.

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.

Caru, Riggs & Ingram, L.L.C.

Houston, Texas
October 28, 2020



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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, 2020. 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, 2020.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

Career and Recovery Resources, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
October 28, 2020

Career and Recovery Resources, Inc.
Schedule of Findings and Questioned Costs
For the year ended June 30, 2020

SECTION I: SUMMARY OF AUDITORS' RESULTS

2020 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

2020 Federal Awards

Internal control over major programs:

- Material weakness (es) identified? No
- Significant deficiencies identified not considered to be material weaknesses? Yes

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*? Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
64.033	VA supportive Services for Veteran Families
64.033	COVID – 19 VA supportive Services for Veteran Families

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

Federal \$750,000

Auditee qualified as low-risk auditee?

Federal Yes

Career and Recovery Resources, Inc.
Schedule of Findings and Questioned Costs (Continued)
For the year ended June 30, 2020

SECTION II: FINANCIAL STATEMENT FINDINGS

None for the year ended June 30, 2020.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**2020-001 Compliance and Internal Controls over Reporting - Participant Satisfaction Surveys
(Significant Deficiency)**

CFDA 64.033 VA supportive Services for Veteran Families and VA supportive Services for Veteran Families – CARES Act

2019-2020 Funding

U.S. Department of Veteran Affairs

Criteria: Under 2 CFR Section 200.303(a), non-federal entities must establish and maintain effective internal controls to provide reasonable assurance that the entity is managing the federal awards in compliance with statutes, regulations, and the terms and conditions of the award. Additionally under 38 CFR 62.36(c)(2) grantees must provide each SSVF participant household with a satisfaction survey that can be submitted by the participant directly to VA, within 30 days prior to such participant's pending exit date from the grantee's program.

Condition: Controls were not established to ensure proper support was maintained to document participant satisfaction surveys were provided within 30 days prior to such participant's pending exit date from the Agency's program.

Effect: Seven out of the eighteen participant files reviewed did not contain sufficient evidence to support satisfaction surveys were provided to participants.

Cause: The Agency had an underperforming program manager and turnover in its grant personnel. As a result, controls were not established or were not operating effectively to allow the provision of satisfaction surveys to participants.

Questioned Costs: None.

Auditors' Recommendation: We recommend that the program manager reviews and signs off on the program closeout checklist which details participant survey as a to-do item before the participant is released from the program. Additionally, we recommend that support for all surveys provided is maintained in the participant file.

Views of Responsible Officials: Management has already taken action to ensure deficiencies noted above are being promptly corrected and control recommended above is being implemented. All exiting participants are being provided the survey to complete onsite, with a copy maintained in their file as support.

Career and Recovery Resources, Inc.
Schedule of Findings and Questioned Costs (Continued)
For the year ended June 30, 2020

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2020-002 Internal Controls over Eligibility (Significant Deficiency)

CFDA 64.033 VA supportive Services for Veteran Families and VA supportive Services for Veteran Families – CARES Act
2019-2020 Funding
U.S. Department of Veteran Affairs

Criteria: Under 2 CFR Section 200.303(a), non-federal entities must establish and maintain effective internal controls to provide reasonable assurance that the entity is managing the federal awards in compliance with statutes, regulations, and the terms and conditions of the award.

Condition: The Agency's controls over eligibility were not operating effectively. Five out of the forty participant files reviewed did not contain program manager's signature on the certifications of eligibility forms indicating verification and approval of case managers' assessment.

Effect: Without internal controls operating effectively, it is possible that the Agency would be at risk to be out of compliance with the eligibility compliance requirements of the program. The Agency cannot effectively manage its federal program with controls that do not operate effectively.

Cause: The Agency had an underperforming program manager and turnover in its grant personnel resulting in lapses over the eligibility review process.

Questioned Costs: None.

Auditors' Recommendation: We recommend that certifications of eligibility forms for all participants are reviewed and signed off by the program manager.

Views of Responsible Officials: Management has already taken action to ensure any deficiencies noted are being promptly corrected and appropriate controls are being applied consistently. A new program manager replaced previous program manager and is ensuring controls are being applied consistently to all certification of eligibility forms.

SCHEDULE IV: SCHEDULE OF PRIOR YEAR FINDINGS

None for the year ended June 30, 2019.

Career and Recovery Resources, Inc.
Corrective Action Plan
For the year ended June 30, 2020



October 28, 2020

**Career and Recovery
Resources, Inc.**

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CEO

Kelly Young, M.S.

Career and Recovery

Resources, Inc.

2525 San Jacinto

Houston TX, 77031

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Career and Recovery Resources, Inc. respectively submits the following corrective action plan for the year ended June 30, 2020.

Carr, Riggs & Ingram, LLC
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Houston, TX 77056

Audit Period: Fiscal Year July 1, 2019 – June 30, 2020

The findings from the schedule of findings and questioned costs dated October 28, 2020 are discussed below. The findings are numbered consistently with the number assigned in the schedule.

2020-001 Compliance and Internal Controls over Reporting - Participant Satisfaction Surveys (Significant Deficiency)

Recommendation: We recommend that the program manager reviews and signs off on the program closeout checklist which details participant survey as a to-do item before the participant is released from the program. Additionally, we recommend that support for all surveys provided is maintained in the participant file.

Corrective Action: Management has already taken action to ensure deficiencies noted above are being promptly corrected and control recommended above is being implemented. All exiting participants are being provided the survey to complete onsite, with a copy maintained in their file as support.

Responsible Party: SSVF Program Manager, Director of Employment and Support Services

Date Expected to be corrected: Immediately

2020-002 Internal Controls over Eligibility (Significant Deficiency)

Recommendation: We recommend that certifications of eligibility forms for all participants are reviewed and signed off by the program manager.

Corrective Action: Management has already taken action to ensure any deficiencies noted are being promptly corrected and appropriate controls are being applied consistently. A new program manager replaced previous program manager and is ensuring controls are being applied consistently to all certification of eligibility forms.

Responsible Party: SSVF Program Manager, Director of Employment and Support Services

Date Expected to be corrected: Immediately

Kelly Young, CEO