

**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER  
LIMITED GOVERNMENT CORPORATION  
FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER  
LIMITED GOVERNMENT CORPORATION  
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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Austin/Travis County Sobriety Center  
Limited Government Corporation  
Austin, Texas

We have audited the accompanying financial statements of Austin/Travis County Sobriety Center Limited Government Corporation (a nonprofit organization) which comprise the statements of financial position as of September 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. Those standards require that we plan and perform the audits 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 auditors consider internal control relevant to the entity'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 entity'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 Austin/Travis County Sobriety Center Limited Government Corporation as of September 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Atchley & Associates, LLP*

Austin, Texas

January 4, 2021

**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER  
LIMITED GOVERNMENT CORPORATION  
STATEMENTS OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 204,124	\$ 63,189
Prepaid expenses	5,468	1,261
Total current assets	209,592	64,450
Fixed assets, net	182,643	170,570
<b>Total assets</b>	<b>\$ 392,235</b>	<b>\$ 235,020</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 101,333	\$ 148,983
Accrued payroll	69,781	94,925
Loan payable	-	100,000
Total current liabilities	171,114	343,908
Net assets		
Without donor restrictions	221,121	(108,888)
Total net assets	221,121	(108,888)
<b>Total liabilities and net assets</b>	<b>\$ 392,235</b>	<b>\$ 235,020</b>

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

**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER  
LIMITED GOVERNMENT CORPORATION  
STATEMENTS OF ACTIVITIES  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>REVENUES AND OTHER SUPPORT</b>		
Grants and contracts	\$ 1,909,728	\$ 2,111,407
Contributions	10,782	10,898
<b>Total revenues and other support</b>	<b>1,920,510</b>	<b>2,122,305</b>
<b>EXPENSES</b>		
Program services	1,127,716	1,893,631
Management and general	462,785	654,033
<b>Total expenses</b>	<b>1,590,501</b>	<b>2,547,664</b>
<b>CHANGE IN NET ASSETS</b>	<b>330,009</b>	<b>(425,359)</b>
<b>NET ASSETS</b>		
Beginning of year	(108,888)	316,471
End of year	<b>\$ 221,121</b>	<b>\$ (108,888)</b>

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

**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER  
LIMITED GOVERNMENT CORPORATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2020**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
<b>EXPENSES</b>			
Salaries	\$ 688,264	\$ 168,227	\$ 856,491
Payroll taxes and benefits	152,877	50,960	203,837
Total personnel costs	<u>841,141</u>	<u>219,187</u>	<u>1,060,328</u>
Office/general administrative expenses	193,652	27,196	220,848
Legal & professional fees	18,250	93,851	112,101
Utilities	39,355	39,355	78,710
Technology service	28,687	23,247	51,934
Depreciation	-	37,748	37,748
Insurance	4,067	22,201	26,268
Vehicle expenses	2,564	-	2,564
Travel expenses	-	-	-
Bank fees	-	-	-
Total expenses	<u>\$ 1,127,716</u>	<u>\$ 462,785</u>	<u>\$ 1,590,501</u>

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

**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER  
LIMITED GOVERNMENT CORPORATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2019**

	Program Services	Management and General	Total
<b>EXPENSES</b>			
Salaries	\$ 1,116,859	\$ 102,743	\$ 1,219,602
Payroll taxes and benefits	296,170	47,949	344,119
Total personnel costs	1,413,029	150,692	1,563,721
Office/general administrative expenses	292,537	30,415	322,952
Legal & professional fees	77,387	338,716	416,103
Utilities	22,269	41,356	63,625
Technology service	56,780	43,878	100,658
Depreciation	-	36,266	36,266
Insurance	3,941	10,406	14,347
Vehicle expenses	27,688	-	27,688
Travel expenses	-	2,301	2,301
Bank fees	-	3	3
Total expenses	\$ 1,893,631	\$ 654,033	\$ 2,547,664

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



**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER  
LIMITED GOVERNMENT CORPORATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 330,009	\$ (425,359)
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities		
Depreciation	37,748	36,266
Changes in assets and liabilities that provided (used) cash:		
Prepaid expenses	(4,207)	52,451
Accounts payable	(47,650)	124,959
Accrued payroll	(25,144)	52,031
Net cash provided by (used by) operating activities	290,756	(159,652)
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(49,821)	(2,895)
Net cash provided by (used by) investing activities	(49,821)	(2,895)
<b>FINANCING ACTIVITIES</b>		
Repayments of loan payable	(100,000)	-
Proceeds from loan payable	-	100,000
Net cash provided by (used by) financing activities	(100,000)	100,000
<b>NET INCREASE (DECREASE) IN CASH</b>	140,935	(62,547)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	63,189	125,736
End of year	\$ 204,124	\$ 63,189

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

**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER  
LIMITED GOVERNMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
AS OF SEPTEMBER 30, 2020 AND 2019**

**NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Organization

On June 28, 2017, the Travis County Commissions Court voted to approve an interlocal agreement to create a nonprofit organization, Austin/Travis County Sobriety Center Limited Government Corporation (the Organization). The city and county created a local government corporation, with board members to oversee the operation of the sobriety center. The Organization enhances public health and public safety by providing an alternative to the emergency room and jail for publicly intoxicated individuals to sober up and, when appropriate, provide a safe environment to initiate recovery. The Organization also operates under the assumed name The Sobering Center serving Austin and Travis County.

Summary of Significant Accounting Policies

**Method of Accounting:** The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP). Using this method of accounting, revenue is reported when funds are considered earned, regardless of when cash is received. Expenses and related accounts payable are reported when an obligation is incurred, regardless of when cash is disbursed. Payroll costs incurred but not payable as of year-end are reported as accrued payroll. Cash disbursed before an obligation is incurred is reported as prepaid expenses.

**Cash and Cash Equivalents:** Cash and cash equivalents consist of cash in demand deposit accounts and certificates of deposit with original maturities of less than three months.

**Fixed Assets:** Fixed assets are capitalized at cost if the value of the item is more than \$2,500 and the estimated useful service life of the item is more than one year. Donations of fixed assets are recorded as support at their estimated fair value at the date of donation. If donors stipulate how long donated assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation expense is computed over the estimated useful service life of the asset (3 to 5 years for furniture, equipment, and vehicles, and 5 to 20 years for leasehold improvements) using the straight line method of computation. Depreciation expense reported is considered a significant accounting estimate. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

Maintenance and repairs are charged to expenses as incurred. No reserve funds are set aside for future maintenance and repairs.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. During the year, the Organization did not adjust the carrying amount of any fixed assets.

**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER  
LIMITED GOVERNMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
AS OF SEPTEMBER 30, 2020 AND 2019**

**NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - CONTINUED**

Summary of Significant Accounting Policies - Continued

**Net Assets Classes:** The Organization reports the following net assets classes:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization received \$0 in restricted support in the years ending September 30, 2020 and 2019.

**Income Tax Status:** The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The tax returns for the years ended September 30, 2018, and after are open to examination by federal and local authorities.

**Revenue Recognition:** In accordance with FASB ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*, contributions and grants received that are conditioned upon the Organization incurring certain qualifying costs are considered to be conditional promises to give and, therefore, are recognized as revenue as those costs are incurred. For the years ended September 30, 2020 and 2019, the grants received by the Organization were conditioned upon incurring certain qualifying costs.

**Functional Expenses:** The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. All expenses that were not directly related to program or administrative were allocated by time and effort.

**Accounting Estimates:** The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER  
LIMITED GOVERNMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
AS OF SEPTEMBER 30, 2020 AND 2019**

**NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Summary of Significant Accounting Policies - Continued

**Recently Adopted Accounting Pronouncements:** The Organization adopted FASB Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update assists entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions, and determining whether a contribution is conditional. The Organization adopted the ASU as of October 1, 2019, using the modified prospective basis. The Organization did not make any significant changes to the financial statements as a result of the adoption.

**Subsequent Events:** The Organization has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

**NOTE 2: CONCENTRATION**

Financial instruments which potentially subject the Organization to credit risk principally consist of cash held in financial institutions. The Organization deposits its cash with high credit quality financial institutions. At September 30, 2020, there were no cash balances which were not Federal Deposit Insurance Corporation (FDIC) insured or bank guaranteed.

**NOTE 3: FIXED ASSETS**

Fixed assets consisted of the following at September 30:

	<b>2020</b>	<b>2019</b>
Leasehold improvements	\$ 185,021	\$ 174,621
Furniture and equipment	46,366	34,676
Vehicle	27,731	-
	<u>259,118</u>	<u>209,297</u>
Less accumulated depreciation and amortization	<u>(76,475)</u>	<u>(38,727)</u>
Fixed assets, net	<u><u>\$ 182,643</u></u>	<u><u>\$ 170,570</u></u>

Depreciation expense for the years ended September 30, 2020 and 2019, was \$37,748 and \$36,266, respectively.

**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER  
LIMITED GOVERNMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
AS OF SEPTEMBER 30, 2020 AND 2019**

**NOTE 4: COMMITMENTS – OPERATING LEASES**

The Organization entered into a ten-year lease agreement with Travis County for the Sobriety Center for \$10 per month. In addition, the Organization has leases for a vehicle, which was paid off in 2020, and equipment. The leases are treated as operating leases for accounting purposes; therefore, the lease obligations are not reported in the financial statements. The future minimum lease payments due under the leases are the following:

<u>Years Ending September 30:</u>	
2021	\$ 5,520
2022	5,520
2023	5,520
2024	120
2025	120
Thereafter	<u>240</u>
	<u><u>\$ 17,040</u></u>

Rental expense under operating leases for the years ended September 30, 2020 and 2019, was \$8,914 and \$35,455, respectively.

**NOTE 5 - RETIREMENT PLAN**

The Organization sponsors a 401(k) Plan for its employees. The Plan covers all full-time employees working more than 1,000 hours in the calendar year. Participants may elect to contribute from their annual salary up to Internal Revenue Code maximum amounts. The Organization contributes 3% of each employee's salary to the Plan. During the years ended September 30, 2020 and 2019, the Organization contributed \$25,696 and \$100,928, respectively, to the Plan.

**NOTE 6 - AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets at September 30,

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 204,124	\$ 63,189
Total financial assets	<u>204,124</u>	<u>63,189</u>
Less amounts not available to be used within one year:	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 204,124</u></u>	<u><u>\$ 63,189</u></u>

**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER  
LIMITED GOVERNMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
AS OF SEPTEMBER 30, 2020 AND 2019**

**NOTE 6 - AVAILABILITY AND LIQUIDITY - CONTINUED**

The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization forecasts its future cash flows and monitors its liquidity weekly.