

**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER
LIMITED GOVERNMENT CORPORATION
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

**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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Austin/Travis County Sobriety Center Limited Government Corporation as of September 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Austin/Travis County Sobriety Center Limited Government Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Austin/Travis County Sobriety Center Limited Government Corporation's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Austin/Travis County Sobriety Center Limited Government Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Austin/Travis County Sobriety Center Limited Government Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Atchley & Associates, LLP

Austin, Texas

February 7, 2023

**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER
LIMITED GOVERNMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022 AND 2021**

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 73,579	\$ 274,399
Grants receivable	7,035	-
Prepaid expenses	7,434	1,371
Total current assets	88,048	275,770
Fixed assets, net	132,679	163,478
Total assets	\$ 220,727	\$ 439,248
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 5,149	\$ 14,033
Accrued payroll	26,260	68,030
Deferred revenue	-	2,931
Total current liabilities	31,409	84,994
Net assets		
Without donor restrictions	189,318	354,254
Total net assets	189,318	354,254
Total liabilities and net assets	\$ 220,727	\$ 439,248

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, 2022 AND 2021**

	2022	2021
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND OTHER SUPPORT		
Grants and contracts	\$ 2,015,904	\$ 2,009,345
Contributions of cash and other financial assets	50,311	42,403
Contributions of nonfinancial assets	8,625	8,948
Other revenue	748	68
Total revenues and other support	2,075,588	2,060,764
EXPENSES		
Program services	1,503,581	1,403,177
Management and general	725,317	522,773
Fundraising	11,626	1,681
Total expenses	2,240,524	1,927,631
CHANGE IN NET ASSETS	(164,936)	133,133
NET ASSETS		
Beginning of year	354,254	221,121
End of year	\$ 189,318	\$ 354,254

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, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Salaries	\$ 919,716	\$ 360,237	\$ 1,591	\$ 1,281,544
Payroll taxes and benefits	233,574	90,835	-	324,409
Total personnel costs	<u>1,153,290</u>	<u>451,072</u>	<u>1,591</u>	<u>1,605,953</u>
Office and general				
administrative expenses	230,174	29,530	8,625	268,329
Legal & professional fees	24,923	116,067	-	140,990
Technology service	44,705	34,380	-	79,085
Utilities	32,977	32,978	-	65,955
Depreciation	-	47,432	-	47,432
Insurance	12,933	12,817	-	25,750
Travel expenses	4,579	1,041	-	5,620
Bank fees	-	-	1,410	1,410
Total expenses	<u>\$ 1,503,581</u>	<u>\$ 725,317</u>	<u>\$ 11,626</u>	<u>\$ 2,240,524</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, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Salaries	\$ 876,667	\$ 212,618	\$ -	\$ 1,089,285
Payroll taxes and benefits	198,437	77,170	-	275,607
Total personnel costs	<u>1,075,104</u>	<u>289,788</u>	-	<u>1,364,892</u>
Office and general				
administrative expenses	207,031	12,541	-	219,572
Legal & professional fees	14,548	77,274	-	91,822
Technology service	69,644	51,667	-	121,311
Utilities	30,279	30,278	-	60,557
Depreciation	-	46,219	-	46,219
Insurance	5,451	14,628	-	20,079
Travel expenses	1,120	378	-	1,498
Bank fees	-	-	1,681	1,681
Total expenses	<u>\$ 1,403,177</u>	<u>\$ 522,773</u>	<u>\$ 1,681</u>	<u>\$ 1,927,631</u>

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, 2022 AND 2021**

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	\$ (164,936)	\$ 133,133
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities		
Depreciation	47,432	46,219
Changes in assets and liabilities that provided (used) cash:		
Grants receivable	(7,035)	-
Prepaid expenses	(6,063)	4,097
Accounts payable	(8,884)	(87,300)
Accrued payroll	(41,770)	(1,751)
Deferred revenue	(2,931)	2,931
	<u>(184,187)</u>	<u>97,329</u>
INVESTING ACTIVITIES		
Purchase of fixed assets	(16,633)	(27,054)
	<u>(16,633)</u>	<u>(27,054)</u>
NET INCREASE (DECREASE) IN CASH	(200,820)	70,275
CASH AND CASH EQUIVALENTS		
Beginning of year	274,399	204,124
End of year	<u>\$ 73,579</u>	<u>\$ 274,399</u>

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, 2022 AND 2021**

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, 2022 AND 2021**

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, 2022 and 2021.

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, 2019, 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, 2022 and 2021, the grants received by the Organization were conditioned upon incurring certain qualifying costs.

Contributions: Gifts of cash and other assets are reported as with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets released from restrictions.

Donations of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Donation of permanent assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. The Organization receives donations of clothing and supplies which are recorded as revenue at fair market value.

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.

**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER
LIMITED GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2022 AND 2021**

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

Summary of Significant Accounting Policies - Continued

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.

Recently Adopted Significant Accounting Pronouncements: In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is expected to increase transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. The Organization adopted the ASU during the year ended September 30, 2022, and applied the ASU retrospectively to the year ended September 30, 2021.

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, 2022, there were no cash balances not covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 3: FIXED ASSETS

Fixed assets consisted of the following at September 30:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 190,489	\$ 190,489
Furniture and equipment	84,585	67,952
Vehicle	27,731	27,731
	<u>302,805</u>	<u>286,172</u>
Less accumulated depreciation and amortization	<u>(170,126)</u>	<u>(122,694)</u>
Fixed assets, net	<u>\$ 132,679</u>	<u>\$ 163,478</u>

Deprecation expense for the years ended September 30, 2022 and 2021, was \$47,432 and \$46,219, respectively.

**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER
LIMITED GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2022 AND 2021**

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>	
2023	\$ 5,820
2024	120
2025	120
2026	120
2027	120
Thereafter	<u>100</u>
	<u><u>\$ 6,400</u></u>

Rental expense under operating leases for the years ended September 30, 2022 and 2021, was \$11,059 and \$6,351, 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 a match of up to 3% of each employee's salary to the Plan. During the years ended September 30, 2022 and 2021, the Organization contributed \$36,861 and \$52,670, respectively, to the Plan.

NOTE 6 - AVAILABILITY AND LIQUIDITY

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

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 73,579	\$ 274,399
Total financial assets	73,579	274,399
Less amounts not available to be used within one year:	-	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 73,579</u>	<u>\$ 274,399</u>

**AUSTIN/TRAVIS COUNTY SOBRIETY CENTER
LIMITED GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2022 AND 2021**

NOTE 6 - AVAILABILITY AND LIQUIDITY - CONTINUED

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.

NOTE 7 - CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following contributed nonfinancial assets included in the statements of activities for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Medical supplies	\$ 6,794	\$ 6,512
Professional services	1,560	-
Clothing	271	2,436
	<u>\$ 8,625</u>	<u>\$ 8,948</u>

Contributed medical supplies and clothing are used for the care of the Organization's clients and are valued at the estimated retail price for similar products. Professional services, such as legal services, are used for the administrative operations of the Organization and are valued at the current rates for similar services.