

**AUSTIN TRAVIS COUNTY SOBRIETY CENTER
LIMITED GOVERNMENT CORPORATION
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2018**

**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 statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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, 2018, in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Ackley & Associates, LLP

Austin, Texas

June 6, 2019

**AUSTIN TRAVIS COUNTY SOBRIETY CENTER
LIMITED GOVERNMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2018**

ASSETS

Current assets

Cash and cash equivalents	\$ 125,736
Prepaid expenses	53,712
Total current assets	179,448

Fixed assets, net	203,941
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Total assets	\$ 383,389
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LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 24,024
Accrued payroll	42,894
Total current liabilities	66,918

Total liabilities	66,918
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Net assets

Without donor restrictions	316,471
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Total net assets	316,471
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Total liabilities and net assets	\$ 383,389
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The accompanying notes to financial statements are an integral part of these statements.

**AUSTIN TRAVIS COUNTY SOBRIETY CENTER
LIMITED GOVERNMENT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Grants and contracts	\$ 1,123,359	\$ -	\$ 1,123,359
Contributions	525	-	525
Total revenues and other support	<u>1,123,884</u>	<u>-</u>	<u>1,123,884</u>
EXPENSES			
Program services	732,730	-	732,730
Management and general	385,869	-	385,869
Total expenses	<u>1,118,599</u>	<u>-</u>	<u>1,118,599</u>
CHANGE IN NET ASSETS	5,285	-	5,285
NET ASSETS			
Beginning of year	<u>311,186</u>	<u>-</u>	<u>311,186</u>
End of year	<u>\$ 316,471</u>	<u>\$ -</u>	<u>\$ 316,471</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, 2018**

	Program Services	Management and General	Total
EXPENSES			
Salaries	\$ 371,428	\$ 41,712	\$ 413,140
Payroll taxes and benefits	93,459	29,023	122,482
Total personnel costs	464,887	70,735	535,622
Office/general administrative expenses	140,077	145,312	285,389
Technology service	114,275	30,555	144,830
Legal & professional fees	8,561	113,153	121,714
Insurance	4,020	18,762	22,782
Travel expenses	-	4,746	4,746
Depreciation	-	2,461	2,461
Utilities	910	145	1,055
Total expenses	\$ 732,730	\$ 385,869	\$ 1,118,599

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

**AUSTIN TRAVIS COUNTY SOBRIETY CENTER
LIMITED GOVERNMENT CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2018**

OPERATING ACTIVITIES

Change in net assets	\$ 5,285
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities	
Depreciation	2,461
Changes in assets and liabilities that provided (used) cash:	
Prepaid expenses	(53,712)
Accounts payable	24,024
Accrued payroll	42,894
	20,952
Net cash provided by (used by) operating activities	20,952

INVESTING ACTIVITIES

Purchase of fixed assets	(206,402)
	(206,402)
Net cash provided by (used by) investing activities	(206,402)

FINANCING ACTIVITIES

Net cash provided by (used by) financing activities	-
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NET INCREASE (DECREASE) IN CASH

(185,450)

CASH AND CASH EQUIVALENTS

Beginning of year	311,186
End of year	\$ 125,736

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, 2018**

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

Description of Organization

On June 28th, 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

Accounting Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Method of Accounting: The Organization uses the accrual basis method of accounting. 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 and equipment, and 5 to 20 years for 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, 2018**

**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 year ending September 30, 2018.

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, 2017, 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. In 2018, the Organization received a grant for \$1,123,884 from the City of Austin that was 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.

The expenses are allocated by time and effort.

Recently Issued Accounting Pronouncements: In August 2016, the FASB issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires presentation on the face of the Statement of Financial Position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The standard also requires the presentation on the face of the Statement of Activities the amount of the change in each of these two classes of net assets. The entity will be required to provide enhanced disclosures about liquidity in the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2017, and early adoption is permitted. The Organization elected early adoption of the ASU.

**AUSTIN TRAVIS COUNTY SOBRIETY CENTER
LIMITED GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2018**

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

Summary of Significant Accounting Policies - Continued

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, 2018, 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, 2018:

Leasehold improvements	\$ 171,726
Furniture and equipment	34,676
	<u>206,402</u>
Less accumulated depreciation and amortization	(2,461)
Fixed assets, net	<u><u>\$ 203,941</u></u>

Deprecation expense for the year ended September 30, 2018, was \$2,461.

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 a lease for 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>	
2019	\$ 5,520
2020	5,520
2021	5,520
2022	5,520
2023	5,520
Thereafter	480
	<u><u>\$ 28,080</u></u>

Rental expense under operating leases for the year ended September 30, 2018, was \$20.

**AUSTIN TRAVIS COUNTY SOBRIETY CENTER
LIMITED GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2018**

NOTE 5 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at September 30, 2018:

Financial assets at year end:

Cash and cash equivalents	<u>\$ 125,736</u>
Total financial assets	125,736

Less amounts not available to be used within one year:

Financial assets available to meet cash needs for general expenditures within one year	<u> -</u>
	<u><u>\$ 125,736</u></u>

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.