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

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

AUSTIN/TRAVIS COUNTY SOBRIETY CENTER
LIMITED GOVERNMENT CORPORATION
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ATCHLEY & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

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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, 2019 and 2018, 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
February 20, 2020

AUSTIN/TRAVIS COUNTY SOBRIETY CENTER
LIMITED GOVERNMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 63,189	$ 125,736
Prepaid expenses	1,261	53,712
Total current assets	64,450	179,448
Fixed assets, net	170,570	203,941
Total assets	$ 235,020	$ 383,389
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 148,983	$ 24,024
Accrued payroll	94,925	42,894
Loan payable	100,000	-
Total current liabilities	343,908	66,918
Net assets		
Without donor restrictions	(108,888)	316,471
Total net assets	(108,888)	316,471
Total liabilities and net assets	$ 235,020	$ 383,389

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, 2019 AND 2018

	2019	2018
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND OTHER SUPPORT		
Grants and contracts	$ 2,111,407	$ 1,123,359
Contributions	10,898	525
Total revenues and other support	2,122,305	1,123,884
EXPENSES		
Program services	1,893,631	732,730
Management and general	654,033	385,869
Total expenses	2,547,664	1,118,599
CHANGE IN NET ASSETS	(425,359)	5,285
NET ASSETS		
Beginning of year	316,471	311,186
End of year	$ (108,888)	$ 316,471

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
EXPENSES			
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
Legal & professional fees	77,387	338,716	416,103
Office/general administrative expenses	292,537	30,415	322,952
Technology service	56,780	43,878	100,658
Utilities	22,269	41,356	63,625
Depreciation	-	36,266	36,266
Lease expenses	27,688	-	27,688
Insurance	3,941	10,406	14,347
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
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
Legal & professional fees	8,561	113,153	121,714
Office/general administrative expenses	140,077	145,312	285,389
Technology service	114,275	30,555	144,830
Utilities	910	145	1,055
Depreciation	-	2,461	2,461
Lease expenses	-	-	-
Insurance	4,020	18,762	22,782
Travel expenses	-	4,746	4,746
Bank fees	-	-	-
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
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
OPERATING ACTIVITIES		
Change in net assets	$ (425,359)	$ 5,285
Adjustments to reconcile change in net assets		
to net cash provided by (used by) operating activities		
Depreciation	36,266	2,461
Changes in assets and liabilities that provided (used) cash:		
Prepaid expenses	52,451	(53,712)
Accounts payable	124,959	24,024
Accrued payroll	52,031	42,894
Net cash provided by (used by) operating activities	(159,652)	20,952
INVESTING ACTIVITIES		
Purchase of fixed assets	(2,895)	(206,402)
Net cash provided by (used by) investing activities	(2,895)	(206,402)
FINANCING ACTIVITIES		
Proceeds from loan payable	100,000	-
Net cash provided by (used by) financing activities	100,000	-
NET INCREASE (DECREASE) IN CASH	(62,547)	(185,450)
CASH AND CASH EQUIVALENTS		
Beginning of year	125,736	311,186
End of year	$ 63,189	$ 125,736

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

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 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.

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, 2019 and 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, 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, 2019 and 2018, 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 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.

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, 2019, 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:

	2019	2018
Leasehold improvements	$ 174,621	$ 171,726
Furniture and equipment	34,676	34,676
	209,297	206,402
Less accumulated depreciation and amortization	(38,727)	(2,461)
Fixed assets, net	$ 170,570	$ 203,941

Deprecation expense for the years ended September 30, 2019 and 2018, was $36,266 and $2,461 respectively.

NOTE 4: LOAN PAYABLE

On August 13, 2019, the Organization entered into a loan agreement with Travis County. The loan is being used for the payroll and operating expenses for the month of September 2019. The loan is non-interest bearing and had no specific terms of repayment. As of September 30, 2019, the balance of the loan was $100,000.

NOTE 5: 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:

Years Ending September 30:	
2020	$ 5,520
2021	5,520
2022	5,520
2023	5,520
2024	120
Thereafter	360
	$ 22,560

Rental expense under operating leases for the years ended September 30, 2019 and 2018, was $27,688 and $20, respectively.

NOTE 6 - 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, 2019 and 2018, the Organization contributed $100,928 and $42,142, respectively, to the Plan.

NOTE 7 - AVAILABILITY AND LIQUIDITY

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

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	$ 63,189	$ 125,736
Total financial assets	63,189	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	$ 63,189	$ 125,736

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.