

**San Antonio Lifetime Recovery, Inc.
dba
Lifetime Recovery**

Financial Statements

August 31, 2021 and 2020



**San Antonio Lifetime Recovery, Inc.
dba Lifetime Recovery**

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Independent Auditor's Report

To the Board of Directors of
San Antonio Lifetime Recovery, Inc.
dba Lifetime Recovery

Report on the Financial Statements

We have audited the accompanying financial statements of San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery (Lifetime Recovery) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, 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.

Auditor's 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 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 auditor's 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 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 San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery as of August 31, 2021, and the changes 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.

Independent Auditor's Report (Continued)

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from Lifetime Recovery's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 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 December 13, 2021, on our consideration of Lifetime Recovery'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 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 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 Lifetime Recovery's internal control over financial reporting and compliance.



Schrivver, Carmona & Company, PLLC

San Antonio, Texas

December 13, 2021

Financial Statements

**San Antonio Lifetime Recovery, Inc.
dba Lifetime Recovery**

Statements of Financial Position
August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 1,342,819	\$ 3,268,699
Accounts Receivable:		
Government Contracts	747,287	370,678
Current Portion of Pledges	1,050,761	65,874
Third Party Payers	61,796	49,347
Prepaid Expenses	27,705	30,038
Total Current Assets	<u>3,230,368</u>	<u>3,784,636</u>
Property and Equipment, net of accumulated depreciation and amortization	4,447,626	1,073,590
Long-term Portion of Pledges	93,263	17,949
Other Assets	<u>8,531</u>	<u>8,531</u>
Total Assets	\$ <u>7,779,788</u>	\$ <u>4,884,706</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 570,180	\$ 64,272
Accrued Liabilities	265,750	247,601
Accrued EIDL Loan Interest	4,419	-
Accrued PPP Loan Interest	-	1,247
Notes Payable, Current Portion	-	5,426
EIDL Loan Payable, Current Portion	312	-
Total Current Liabilities	<u>840,661</u>	<u>318,546</u>
EIDL Loan Payable, Long-Term Portion	149,688	150,000
PPP Loan Payable, Long-Term Portion	<u>-</u>	<u>598,400</u>
Total Liabilities	<u>990,349</u>	<u>1,066,946</u>
Net Assets:		
Without Donor Restrictions:		
Board Designated - Prudent Reserve	350,000	400,000
Board Designated - Campus Expansion	-	50,000
Undesignated	5,295,415	1,973,843
Total Without Donor Restrictions	<u>5,645,415</u>	<u>2,423,843</u>
With Donor Restrictions	<u>1,144,024</u>	<u>1,393,917</u>
Total Net Assets	<u>6,789,439</u>	<u>3,817,760</u>
Total Liabilities and Net Assets	\$ <u>7,779,788</u>	\$ <u>4,884,706</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**San Antonio Lifetime Recovery, Inc.
dba Lifetime Recovery**

Statement of Activities
Year Ended August 31, 2021 (with Comparative Totals for the Year Ended August 31, 2020)

	2021			2020 Totals
	Without Donor Restrictions	With Donor Restrictions	Totals	
Support and Revenues				
United Way	\$ 168,547	\$ -	\$ 168,547	\$ 165,378
Texas Department of Health and Human Services Commission	1,306,443	-	1,357,641	2,541,127
Department of Family Protective Services	491,959	-	491,960	363,863
Drug Court	1,639,236	-	1,588,398	372,985
Corona Virus Relief Fund	90,000	-	90,000	-
US Federal Probation and Pretrial	841,078	-	840,717	864,721
University Health System	7,625	-	7,625	2,890
Managed Care Fees	6,117	-	6,117	2,504
Medicaid	394,516	-	394,516	262,145
Private Pay Fees	33,090	-	33,090	75,853
Gain on Extinguishment of Debt - PPP Loan Forgiveness	598,400	-	598,400	-
Other Program Services	160,725	-	160,725	156,343
Grant Income	1,126,917	1,098,192	2,225,109	1,065,352
Contributions	125,664	-	125,664	146,487
Miscellaneous	25,545	-	25,545	25,180
In-kind Contributions	95,668	-	95,668	95,382
Net Assets Released from Restrictions	1,348,085	(1,348,085)	-	-
Total Support and Revenues	8,459,615	(249,893)	8,209,722	6,140,210
Expenses				
Program Services	4,794,024	-	4,794,024	4,622,349
Support Services:				
Management and General	269,692	-	269,692	205,369
Fundraising	174,327	-	174,327	185,005
Total Expenses	5,238,043	-	5,238,043	5,012,723
Change in Net Assets	3,221,572	(249,893)	2,971,679	1,127,487
Net Assets at Beginning of Year	2,423,843	1,393,917	3,817,760	2,690,273
Net Assets at End of Year	\$ 5,645,415	\$ 1,144,024	\$ 6,789,439	\$ 3,817,760

The Accompanying Notes are an Integral Part of These Financial Statements.

**San Antonio Lifetime Recovery, Inc.
dba Lifetime Recovery**

Statement of Functional Expenses
Year Ended August 31, 2021 (with Comparative Totals for the Year Ended August 31, 2020)

	Program Services	Support Services		2021 Totals	2020 Totals
		Management and General	Fundraising		
Salaries and Wages	\$ 2,880,604	\$ 49,938	\$ 103,062	\$ 3,033,604	\$ 2,830,463
Payroll Taxes & Worker's Compensation Expense	226,793	44,249	7,583	278,625	245,326
Total Salaries and Related Expenses	3,107,397	94,187	110,645	3,312,229	3,075,789
Auto and Truck	15,108	11	-	15,119	17,238
Bank Charges and Other Fees	468	5,818	434	6,720	3,642
Client Expense	285,967	58	-	286,025	302,531
Computer Expense	110,687	10,127	2,989	123,803	92,115
Contract Labor	42,242	2,250	250	44,742	84,650
Denied Claims	14,458	-	-	14,458	13,775
Dues and Subscriptions	11,999	1,187	132	13,318	14,565
Employee Benefits	319,882	64,529	9,455	393,866	382,485
Employee Miscellaneous Expenses	9,409	3,249	241	12,899	13,099
Equipment Rentals	29,410	1,974	326	31,710	35,974
Food	275,988	-	-	275,988	271,516
Goods and Services In-Kind	-	-	-	-	2,500
Insurance	44,352	4,569	493	49,414	41,994
Interest	67	2,902	1	2,970	1,753
Licenses and Permits	5,719	524	48	6,291	7,569
Marketing and Outreach	18,775	1,616	4,136	24,527	11,181
Meetings	1,585	6,901	10	8,496	11,870
Office Supplies	30,504	1,953	232	32,689	34,138
Postage	1,738	161	351	2,250	901
Printing	567	57	1,447	2,071	2,381
Professional Fees	44,448	22,445	495	67,388	78,076
Rent	127,247	2,814	312	130,373	130,373
Residential Rent In-Kind	95,668	-	-	95,668	92,882
Telephone	43,856	2,044	222	46,122	45,032
Training and Development	13,539	576	81	14,196	8,496
Travel	25,355	18,513	1,002	44,870	41,192
Utilities	79,332	-	-	79,332	85,459
Total Expenses before Depreciation and Amortization	4,755,767	248,465	133,302	5,137,534	4,903,176
Depreciation and Amortization	38,257	21,227	41,025	100,509	109,547
Total Expenses	\$ 4,794,024	\$ 269,692	\$ 174,327	\$ 5,238,043	\$ 5,012,723

The Accompanying Notes are an Integral Part of These Financial Statements.

**San Antonio Lifetime Recovery, Inc.
dba Lifetime Recovery**

Statements of Cash Flows
Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 2,971,679	\$ 1,127,487
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	100,509	109,547
Loss on Disposal of Vehicle	22,592	-
Gain on Extinguishment of Debt - PPP Loan Forgiveness	(598,400)	-
(Increase) Decrease in:		
Government Contracts	(376,609)	(66,084)
Third Party Payers	(12,449)	46,914
Pledges and Contributions	(1,060,201)	(1,731)
Prepaid Expenses	2,333	4,979
Other Assets	-	(8,031)
Increase (Decrease) in:		
Accounts Payable	505,908	(37,800)
Accrued Liabilities	18,149	90,054
Accrued PPP Loan Interest	(1,247)	1,247
Accrued EIDL Loan Interest	4,419	-
Net Cash Provided by Operating Activities	<u>1,576,683</u>	<u>1,266,582</u>
Cash Flows From Investing Activities:		
Purchase of Property and Equipment	(72,430)	(30,808)
Construction in Progress	(3,424,707)	(204,362)
Net Cash Used by Investing Activities	<u>(3,497,137)</u>	<u>(235,170)</u>
Cash Flows From Financing Activities:		
Proceeds from EIDL Loan	-	150,000
Proceeds from PPP Loan	-	598,400
Payments on Notes Payable	(5,426)	(10,514)
Net Cash Provided (Used) by Financing Activities	<u>(5,426)</u>	<u>737,886</u>
Net Increase in Cash	(1,925,880)	1,769,298
Cash and Cash Equivalents, Beginning of Year	<u>3,268,699</u>	<u>1,499,401</u>
Cash and Cash Equivalents, End of Year	\$ <u>1,342,819</u>	\$ <u>3,268,699</u>
Supplemental Disclosures:		
Interest Paid	\$ -	\$ 506

The Accompanying Notes are an Integral Part of These Financial Statements.

**San Antonio Lifetime Recovery, Inc.
dba Lifetime Recovery**

Notes to Financial Statements
August 31, 2021 and 2020

Note A: Nature of Organization

San Antonio Lifetime Recovery, Inc. dba Lifetime Recovery (the Organization) is a nonprofit organization located in San Antonio, Texas that was established in 1963. The Organization is changing lives through comprehensive treatment of substance abuse disorder in San Antonio, Texas and South Texas. The organization provides residential treatment and outpatient services.

The specific program and services that the Organization provides include:

- Residential Services - Clients live on-site while being closely supervised. The Organization provides medical and mental health assessments, treatment for dual dependencies, individual and group counseling, addiction and recovery education, family counseling, extensive case management, parenting discussions, trauma counseling, anger resolution, art activities, recovery planning, and peer support.
- Outpatient Services - Outpatient programs are designed for clients who are in need of treatment, but who also have the skills and support to recover without the need of inpatient care. Clients live off-site and attend group and individual sessions on-site.

Note B: Summary of Accounting Principles

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). Net assets, support and revenue, and expenses are classified according to two classes of net assets:

- Without Donor Restrictions – net assets available for use in general operations and not subject to donor restrictions. Grant and contributions gifted for recurring programs of the Organization generally are not considered “restricted” under GAAP, though for internal reporting the Organization tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board of Directors are reported as Net Assets Without Donor Restrictions, Board Designated.
- With Donor Restrictions – net assets subject to donor-imposed stipulations that are more restrictive than the Organizations mission and purpose. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Fair Value of Financial Instruments

The Organization financial instruments include cash and cash equivalents, receivables, and payables. The carrying amount of these financial instruments, as reflected in the Statements of Financial Position approximates fair value.

**San Antonio Lifetime Recovery, Inc.
dba Lifetime Recovery**

Notes to Financial Statements
August 31, 2021 and 2020

Note B: Summary of Accounting Principles (Continued)

Methods Used for Allocation of Expenses among Program and Support Services

The financial statements of the Organization report categories of expenses that are attributed to more than one program or support function. These expenses require allocation on a reasonable basis that is consistently applied. Below are the methods employed by the Organization to allocate these expenses during 2019:

- *Personnel Costs*: All Organization employees except those whose work is primarily fundraising are funded by at least one grant, and several are funded by more than one grant. Personnel line items in grant budgets list job titles and FTEs. The Organization has a salary allocation identified with each employee which allocates the wages based on a census of individuals served in the Residential and Outpatient facilities. The allocation is updated monthly and identifies the portion going to each funding source and program. This allocation is calculated within the Accounting System during the transfer of Payroll to the General Ledger. Training costs may be allocated according to an employee's individual allocation or may be charged directly to a single grantor, as appropriate.
- *Fringe benefits (FICA, UC, and Worker's Compensation)*: are allocated in the same manner as salaries and wages. Health insurance, dental insurance, life & disability and other fringe benefits are also allocated in the same manner as salaries and wages. Vacation, holiday, and sick pay are allocated in the same manner as salaries and wages. The Bi-Weekly Time and Activity Reports are completed by staff and utilized to determine actual time and effort on federally supported grants and projects for payroll.
- *Office Expenses*: Most office expenses (rent, telephone, information technology, copier rental, supplies, postage) are allocated based upon FTEs. For some line items, there is a mix of allocated joint costs and identifiable costs attributable to a specific service. For example, technology upgrades are occasionally funded by a single source.
- *Direct Service Expenses*: Costs are allocated either directly to the grant if the expense is grant specific, otherwise utilization rates are applied to allocate a percentage of the expense; the approach used may differ from line to line. In the event an expense is not grant related or suitable for the utilization methodology, the expense will be allocated to administrative expenses.
- *Admin Expenses*: Some expenses that are classified as administrative expenses for management purposes relate directly to program activities and are therefore eligible expenses under some grants. These include accounting services and some types of insurance. The utilization methodology is applied to these types of expenses where applicable. Many expenses in the administrative category, such as fundraising expenses or directors' and officers' liability insurance, are not eligible for the utilization methodology and therefore are 100% administrative expenses

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**San Antonio Lifetime Recovery, Inc.
dba Lifetime Recovery**

Notes to Financial Statements
August 31, 2021 and 2020

Note B: Summary of Accounting Principles (Continued)

Government Contracts Receivable

All government contracts receivable are carried at the original invoice amount, less an allowance made for impairment of these receivables. Governmental contracts which are included in receivables are individually analyzed for purposes of determining collectability. At August 31, 2021 and 2020, no allowance has been determined, as all contracts are considered fully collectible.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$2,500 and have an estimated useful life of 3 years or more. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Building and Building Improvements	5 to 20 years
Furniture and Fixtures	5 to 10 years
Computer Software/Equipment	3 to 5 years
Vehicles	3 years

Impairment of Long-Lived Assets

The Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing the assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. The Organization did not recognize an impairment loss during the years ended August 31, 2021 or 2020.

Contributions and Grants

Contributions and grants received are unconditional promises to give are measured at their fair market values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received 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, With Donor Restrictions are reclassified to Without Donor Restrictions and reported in the Statement of Activities as Net Assets Released from Restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as Without Donor Restrictions.

In-Kind Contributions

Donated facilities, goods and services are valued based on their estimated fair market value on the date of contribution (see **Note K**).

**San Antonio Lifetime Recovery, Inc.
dba Lifetime Recovery**

Notes to Financial Statements
August 31, 2021 and 2020

Note B: Summary of Accounting Principles (Continued)

Federal Income Taxes

The Organization is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. Contributions to the Organization are deductible to the extent allowed by law. Management of the Organization believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) for the Internal Revenue Code. There was no unrelated business income for the years ended August 31, 2021 and 2020. The Organization is not subject to the Texas margin tax. Management is not aware of any tax position that would have a significant impact on its financial position.

Local Match Funds

The Texas Health and Human Services Commission program requires the Organization to contribute an amount equal to at least 5% of its funded contract expenses in matching funds or in-kind contributions from sources eligible to be used for matching purposes. Matching funds are generated from in-kind rental contributions and other local sources of revenue which are recorded as support in the accompanying Statement of Activities.

Compensated Absences

Vacation leave may be accrued up to the maximum amount of 240 hours for employees with more than 5 years of service and 180 hours for employees with less than 5 years of service. Accrued vacation leave at August 31, 2021 and 2020 amounted to **\$143,039** and \$138,941, respectively and is included with Accrued Liabilities on the Statements of Financial Position.

Accrued Wages Payable

The Organization has a bi-weekly pay period policy for personnel to be compensated. Based on this policy, wages payables were accrued at August 31, 2021 and 2020 in the amounts of **\$80,205** and \$76,473 respectively and is included with Accrued Liabilities on the Statements of Financial Position.

New Accounting Pronouncements

Adopted During 2020

In May 2014, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, Topic 606. For not-for-profit organizations that have issued, or are conduit bond obligors for, securities traded, listed, or quoted on an exchange or an over-the-counter market, the standard is currently in effect. For all other not-for-profit organizations, the standard takes effect in annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 31, 2019. On June 3, 2020, The FASB issued a one year delay for the effective date of this standard for entities that have not yet issued financial statements or made financial statements available for issuance as of June 3, 2020 reflecting adoption of ASC 606. The core principle of this pronouncement focuses on the contract between the organization and its customers for goods and services, and ultimately, the rights and obligations between the organization and the customer. The Organization adopted the new provisions of this standard during the year ended December 31, 2020. There were no significant effects on the financial statements and related disclosures.

**San Antonio Lifetime Recovery, Inc.
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Notes to Financial Statements
August 31, 2021 and 2020

Note B: Summary of Accounting Principles (Continued)

New Accounting Pronouncements (Continued)

Future Adoption

In February 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, effective for reporting periods beginning after December 15, 2017. Under this new pronouncement, generally, leases with terms of more than 12 months will be recognized in the Statements of Financial Position as an asset (right to use leased asset) and a liability (lease liability). Management expects the impact to operations to be minimal and is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, effective for fiscal years beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The FASB ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. Management expects the impact to operations to be minimal and is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Note C: Liquidity and Availability

The following represents the Organization's financial assets at August 31, 2021 and 2020 available to meet general expenditures over the next twelve months:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and Cash Equivalents	\$ 1,342,819	\$ 3,268,699
Accounts Receivable:		
Government Contracts	747,287	370,678
Pledges Receivable	1,144,024	83,823
Third Party Payers	61,796	49,347
	<u>3,295,926</u>	<u>3,772,547</u>
Total Financial Assets		
	<u>3,295,926</u>	<u>3,772,547</u>
Less those unavailable for general expenditures within one year due to:		
Net Assets with Donor Restrictions	1,144,024	1,393,917
Less net assets with timing restrictions to be met over the next twelve months	<u>-</u>	<u>-</u>
	<u>1,144,024</u>	<u>1,393,917</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,151,902</u>	<u>\$ 2,378,630</u>

**San Antonio Lifetime Recovery, Inc.
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Notes to Financial Statements
August 31, 2021 and 2020

Note D: Risk and Uncertainty

COVID-19

On January 30, 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a "global health emergency" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which The Organization operates.

In light of the uncertain and rapidly evolving coronavirus situation, The Organization has taken precautionary measures intended to minimize the risk of the virus to The Organization's employees and the communities in which The Organization operates. At the current time, The Organization is unable to quantify the potential effects of this pandemic on The Organization's future financial statements.

Note E: Pledges and Contributions

In the fiscal years ending August 31, 2021 and 2020, the Organization received pledges intended to provide support for its current capital expansion project, collections of which will subsequently extend over multiple successive years. Pledges receivable are recognized when the donor makes a promise to give to the Organization. No discount to present values has been recorded on the pledges due to the insignificance of the discount involved.

Pledges receivable consist of the following at August 31:

	<u>2021</u>	<u>2020</u>
Gross Pledges Receivable	\$ 1,144,024	\$ 83,823
Less: Discount to Net Present Value	<u>-</u>	<u>-</u>
Net Pledges Receivable	<u>1,144,024</u>	<u>83,823</u>
Amounts due in:		
Less than one year	\$ 1,050,761	\$ 65,874
One to five years	<u>93,263</u>	<u>17,949</u>
Total Amount Due	<u>1,144,024</u>	<u>83,823</u>

Note F: Property and Equipment

Property and Equipment, net of accumulated depreciation and amortization at August 31 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Building and Improvements	\$ 438,988	\$ 438,988
Vehicles	124,125	89,620
Construction in Progress	4,540,043	1,115,336
Computer Software/Equipment	62,733	96,188
Furniture and Fixtures	<u>120,925</u>	<u>120,925</u>
Total Property and Equipment	<u>5,286,814</u>	1,861,057
Less: Accumulated Depreciation and Amortization	<u>(839,188)</u>	<u>(787,467)</u>
Property and Equipment, net of accumulated depreciation and amortization	<u>\$ 4,447,626</u>	<u>\$ 1,073,590</u>

Depreciation and Amortization expense for the years ended August 31, 2021 and 2020 was **\$100,509** and **\$109,547**, respectively.

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Note G: Long-Term Debt

Line of Credit

The Organization renewed their line of credit with Frost Bank in the amount of \$200,000 on October 9, 2020. The line of credit matured on October 10, 2021 and bore a variable interest rate of prime plus 0.75%, which was 3.25% at August 31, 2021. As of August 31, 2021 and 2020, no amount had been drawn on the line of credit.

On October 20, 2021, the Organization renewed their line of credit with Frost Bank in the amount of \$200,000.

Paycheck Protection Program Loan

On April 17, 2020, the Organization received loan proceeds in the amount of \$598,400 under the Paycheck Protection Program (PPP). Established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the businesses' average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Organization intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

On April 6, 2021, the Organization was granted 100% forgiveness on the \$598,400 PPP loan and was legally released from the loan obligation. The Organization has recognized \$598,400 and \$1,247 of interest as Gain on Extinguishment of Debt – PPP Loan Forgiveness in the Statement of Activities for the year ended August 31, 2021.

Economic Injury Disaster Loan

The Organization received an Economic Injury Disaster Loan (EIDL) in the amount of \$150,000 on August 5, 2020. The loan matures on August 5, 2051 and bears a fixed interest rate of 2.75%. Originally this loan had a 12-month deferment period. However, on March 16, 2021 the SBA extended the deferment period from 12-months to 24-months for all disaster loans made in calendar year 2020, including COVID-19 EIDL. Monthly payments of \$641 will begin on August 5, 2022. The Organization did not receive any EIDL advances since the SBA discontinued making advances to new applicants in July 2020. The Organization intends to use the entire loan proceeds for qualifying expenses.

Future maturities of EIDL loan payable at August 31, 2021 are as follows:

2022	\$	312
2023		3,302
2024		3,394
2025		3,488
2026		3,585
Thereafter		<u>135,919</u>
	\$	<u>150,000</u>

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Notes to Financial Statements
August 31, 2021 and 2020

Note H: Concentrations

Credit Risk of Financial Instruments

Financial instruments which potentially subject the Organization to a concentration of credit risk consist of its cash balances held at its financial institution. The Organization maintains five bank accounts at one institution in San Antonio, Texas. The accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At August 31, 2021 and 2020, the Organization's cash balance at its financial institution exceeded the insured FDIC limit by **\$1,092,519** and \$3,018,399, respectively. The Organization has not experienced any losses in such account and management believes it is not exposed to a significant risk on its cash balance.

Support and Revenue

The Organization received approximately **58%** and 72% of total support and revenues from government grants and contracts related funding in 2021 and 2020, respectively. The loss of funding from these grants or contracts could reduce the Organization's ability to achieve its objectives.

Government grants and contracts at August 31 is summarized as follows:

Source	Type	2021	
		Amount	Percent of Total Support and Revenue
Texas Department of HHSC	Federal	\$ 1,357,641	17%
US Federal Probation and Pretrial	Federal	840,717	10%
Department of Family Protective Services	State	491,960	6%
Drug Court	Local	1,255,998	15%
Drug Court	Federal	332,400	4%
Corona Virus Relief Fund	Federal	90,000	1%
Medicaid	Federal	394,516	5%
Total Government grants and contracts		\$ 4,763,232	58%

Source	Type	2020	
		Amount	Percent of Total Support and Revenue
Texas Department of HHSC	Federal	\$ 2,541,127	41%
US Federal Probation and Pretrial	Federal	864,721	14%
Department of Family Protective Services	State	363,863	6%
Drug Court	Local	5,169	1%
Drug Court	Federal	367,816	6%
Medicaid	Federal	262,145	4%
Total Government grants and contracts		\$ 4,404,841	72%

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Notes to Financial Statements
August 31, 2021 and 2020

Note I: Net Assets

With Donor Restrictions

With Donor Restrictions consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Restricted by Purpose		
Campus Expansion	\$ <u>1,144,024</u>	\$ <u>1,393,917</u>
Total With Donor Restrictions	\$ <u>1,144,024</u>	\$ <u>1,393,917</u>

Note J: Leases

The Organization has a rent-free lease on real property it uses for its residential treatment facilities on Southton Road, San Antonio, Texas. The term of the property lease is for a forty-year period and ends on December 31, 2054. (See **Note K**)

The Organization entered into a lease agreement for office space with an effective date of February 1, 2018 and expires on January 1, 2023. The amount of total rent expense related to these leases for the years ended August 31, 2021 and 2020 was **\$130,373** and \$130,373, respectively.

The Organization entered into a lease agreement for IT services with an effective date of November 5, 2018 and expires on November 5, 2021. The amount of total expense related to the lease for the years ended August 31, 2021 and 2020 was **\$52,218** and \$92,115, respectively, and is included in Computer Expense on the Statement of Functional Expenses.

Future minimum payments due under non-cancellable operating lease agreements at August 31, 2021 are summarized as follows:

2022	\$ 98,928
2023	8,244
2024	-
2025	-
2026	-
Total	\$ <u>107,172</u>

Note K: In-Kind Contribution

Facilities

The Organization has a rent-free lease with Bexar County for real property it uses for its residential treatment facility on Southton Road. Management has determined that the fair market value of this in-kind contribution to be **\$95,668** and \$92,882 for the fiscal years 2021 and 2020, respectively. The donated facility has been recognized in the Statement of Activities as Residential Rent In-Kind for the years ended August 31, 2021 and 2020, respectively.

Goods and Services

Throughout the year the Organization receives donated goods and services mainly related to managed services and web exchange hosting. Accordingly, **\$0** and \$2,500 of donated goods and services has been recognized in the Statement of Activities as Goods and Services In-Kind for the years ended August 31, 2021 and 2020, respectively.

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Notes to Financial Statements
August 31, 2021 and 2020

Note L: Pension Plan

The Organization established a defined contribution pension plan, which is available to all full time employees who satisfy the service requirements. A formula has been established whereby employee contributions are matched by the Organization up to a maximum of 3% of the employee's plan contributions. Employer contributions, which are reported as an expense of the Organization in the financial statements for the fiscal years 2021 and 2020, amounted to **\$77,268** and \$72,289, respectively.

Note M: Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. For all such risks, the Organization has purchased insurance in varying amounts to mitigate the risk of loss.

Note N: Commitments and Contingencies

The Organization participates in several state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note O: Subsequent Events

Subsequent events have been evaluated through December 13, 2021, which is the date the financial statements were available to be issued.