

San Antonio Lifetime Recovery, Inc.
dba
Lifetime Recovery

Financial Statements

August 31, 2019 and 2018



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

Table of Contents

	Page
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statement of Activities (with Comparative Totals)	4
Statement of Functional Expenses (with Comparative Totals)	5
Statements of Cash Flows	6
Notes to Financial Statements	7

Independent Auditor's Report

To the Board of Directors of
Lifetime Recovery

Report on the Financial Statements

We have audited the accompanying financial statements of Lifetime Recovery, Inc.(Lifetime Recovery)(a nonprofit organization), which comprise the statement of financial position as of August 31, 2019, 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 Lifetime Recovery as of August 31, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 5, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, 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 2, 2019, 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.



Schraver, Carmona & Company, PLLC

San Antonio, Texas

December 2, 2019

Financial Statements

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

Statements of Financial Position
August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 1,499,401	\$ 1,089,142
Accounts Receivable:		
Government Contracts	304,594	495,251
Current Portion of Pledges	35,926	27,500
Third Party Payers	96,261	27,806
Prepaid Expenses	35,017	33,874
Total Current Assets	<u>1,971,199</u>	<u>1,673,573</u>
Property and Equipment, net of accumulated depreciation and amortization	947,967	863,292
Long-term Portion of Pledges	46,166	30,800
Other Assets	500	500
Total Assets	<u>\$ 2,965,832</u>	<u>\$ 2,568,165</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 102,072	\$ 63,372
Accrued Liabilities	157,547	236,120
Notes Payable, Current Portion	10,099	9,728
Total Current Liabilities	<u>269,718</u>	<u>309,220</u>
Notes Payable, Long-Term Portion	5,841	15,910
Total Liabilities	<u>275,559</u>	<u>325,130</u>
Net Assets:		
Without Donor Restrictions:		
Board Designated - Prudent Reserve	400,000	250,000
Board Designated - Campus Expansion	50,000	50,000
Undesignated	1,403,730	1,500,509
Total Without Donor Restrictions	<u>1,853,730</u>	<u>1,800,509</u>
With Donor Restrictions	836,543	442,526
Total Net Assets	<u>2,690,273</u>	<u>2,243,035</u>
Total Liabilities and Net Assets	<u>\$ 2,965,832</u>	<u>\$ 2,568,165</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, 2019 (with Comparative Totals for the Year Ended August 31, 2018)

	2019			2018 Totals
	Without Donor Restrictions	With Donor Restrictions	Totals	
Support and Revenues				
United Way	\$ 213,914	\$ -	\$ 213,914	\$ 264,675
Texas Department of Health and Human Services Commission	2,454,866	-	2,454,866	2,367,774
Department of Family Protective Services	207,579	-	207,579	141,146
Drug Court	161,412	-	161,412	261,396
US Federal Probation and Pretrial	663,170	-	663,170	906,343
University Health System	7,610	-	7,610	-
Managed Care Fees	53,707	-	53,707	-
Medicaid	275,626	-	275,626	151,408
Aids Coalition	2,650	-	2,650	147,350
Private Pay Fees	87,878	-	87,878	76,306
Program - Co-Payments	111,925	-	111,925	107,857
Special Events, net of expenses of \$21,235 and \$27,737 in 2019 and 2018, respectively	79,737	3,500	83,237	59,914
Grant Income	131,643	450,180	581,823	147,896
Contributions	75,124	193,072	268,196	169,890
Miscellaneous	33,305	-	33,305	19,709
In-kind Contributions	110,731	-	110,731	193,166
Net Assets Released from Restrictions	252,735	(252,735)	-	-
Total Support and Revenues	4,923,612	394,017	5,317,629	5,014,830
Expenses				
Program Services	4,431,790	-	4,431,790	4,225,501
Support Services:				
Management and General	147,749	-	147,749	258,044
Fundraising	290,852	-	290,852	150,022
Total Expenses	4,870,391	-	4,870,391	4,633,567
Change in Net Assets	53,221	394,017	447,238	381,263
Net Assets at Beginning of Year	1,800,509	442,526	2,243,035	1,861,772
Net Assets at End of Year	\$ 1,853,730	\$ 836,543	\$ 2,690,273	\$ 2,243,035

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, 2019 (with Comparative Totals for the Year Ended August 31, 2018)**

	Program Services	Support Services		2019 Totals	2018 Totals
		Management and General	Fundraising		
Salaries and Wages	\$ 2,537,711	\$ 43,057	\$ 148,457	\$ 2,729,225	\$ 2,586,536
Payroll Taxes & Worker's Compensation Expense	227,290	3,102	10,978	241,370	226,703
Total Salaries and Related Expenses	2,765,001	46,159	159,435	2,970,595	2,813,239
Auto and Truck	20,794	13	1	20,808	17,038
Bank Charges and Other Fees	556	1,667	354	2,577	2,727
Client Expense	286,415	322	10	286,747	274,776
Computer Expense	84,470	7,900	1,826	94,196	95,322
Contract Labor	18,214	100	78,591	96,905	2,500
Denied Claims	42,888	9,882	-	52,770	28,115
Dues and Subscriptions	8,907	992	99	9,998	15,063
Employee Benefits	368,250	6,510	12,100	386,860	345,758
Employee Miscellaneous Expenses	14,393	7,401	89	21,883	12,916
Equipment Rentals	19,593	1,961	218	21,772	27,008
Food	244,094	5	-	244,099	251,383
Gain (Loss) on Disposal	-	-	-	-	13,031
Goods and Services In-Kind	-	18,054	2,500	20,554	105,616
Insurance	33,287	3,333	370	36,990	31,634
Interest	740	74	8	822	1,164
Licenses and Permits	5,789	127	3	5,919	677
Marketing and Outreach	7,077	1,920	564	9,561	7,923
Meetings	5,820	10,608	3,801	20,229	10,909
Office Supplies	28,841	1,344	234	30,419	60,346
Postage	1,387	197	736	2,320	1,473
Printing	398	1,155	2,359	3,912	6,113
Professional Fees	19,264	1,927	991	22,182	17,749
Rent	127,032	1,837	204	129,073	117,190
Residential Rent In-Kind	90,177	-	-	90,177	87,550
Telephone	43,256	2,598	264	46,118	45,820
Training and Development	7,081	596	168	7,845	12,784
Travel	34,294	6,395	6,629	47,318	40,874
Utilities	86,711	-	-	86,711	70,028
Total Expenses before Depreciation and Amortization	4,364,729	133,077	271,554	4,769,360	4,516,726
Depreciation and Amortization	67,061	14,672	19,298	101,031	116,841
Total Expenses	\$ 4,431,790	\$ 147,749	\$ 290,852	\$ 4,870,391	\$ 4,633,567

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 447,238	\$ 381,263
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	101,031	116,841
Loss on Disposal of Property and Equipment		13,031
(Increase) Decrease in:		
Government Contracts	190,657	(173,992)
Third Party Payers	(68,455)	(16,015)
Pledges and Contributions	(23,792)	181,700
Prepaid Expenses	(1,143)	(2,139)
Other Assets		6,607
Increase (Decrease) in:		
Accounts Payable	38,700	(7,116)
Accrued Liabilities	(78,573)	43,268
Deferred Revenue	-	(4,500)
Net Cash Provided by Operating Activities	<u>605,663</u>	<u>538,948</u>
Cash Flows From Investing Activities:		
Purchase of Property and Equipment	(17,411)	(988)
Construction in Progress	(168,295)	(222,544)
Net Cash Used by Investing Activities	<u>(185,706)</u>	<u>(223,532)</u>
Cash Flows From Financing Activities:		
Payments on Notes Payable	(9,698)	(9,355)
Net Cash Used by Financing Activities	<u>(9,698)</u>	<u>(9,355)</u>
Net Increase in Cash	410,259	306,061
Cash and Cash Equivalents, Beginning of Year	<u>1,089,142</u>	<u>783,081</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,499,401</u>	<u>\$ 1,089,142</u>
Supplemental Disclosures:		
Interest Paid	<u>\$ 822</u>	<u>\$ 1,164</u>

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, 2019 and 2018

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, 2019 and 2018

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, 2019 and 2018

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, 2019 and 2018, 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, 2019 or 2018.

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 I**).

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

Notes to Financial Statements
August 31, 2019 and 2018

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, 2019 and 2018. 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, 2019 and 2018 amounted to **\$105,780** and \$106,195, 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, 2019 and 2018 in the amounts of **\$49,432** and \$127,257 respectively and is included with accrued liabilities on the Statements of Financial Position.

New Accounting Pronouncements

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 15, 2019. 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. Management of the Organization is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In February 2016, FASB issued ASU 2016-02, *Leases*, effective for reporting periods beginning after December 15, 2020. 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.

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

Notes to Financial Statements
August 31, 2019 and 2018

Note B: Summary of Accounting Principles (Continued)

New Accounting Pronouncements (Continued)

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is effective for periods beginning after December 15, 2018, with early adoption permitted. The pronouncement clarifies the definition of an exchange transaction and contributions made and received. Management of the Organization is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Note C: Pledges and Contributions

In the fiscal years ending August 31, 2019 and 2018, 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. Future payments will be received as follows:

2020	\$	35,926
2021		27,334
2022		18,832
2023		-
2024		-
Thereafter		-
	\$	<u>82,092</u>

Note D: Property and Equipment

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

	<u>2019</u>	<u>2018</u>
Building and Improvements	\$ 453,576	\$ 436,164
Vehicles	58,812	58,812
Construction in Progress	910,974	742,679
Computer Software/Equipment	130,533	130,533
Furniture and Fixtures	138,917	140,234
Total Property and Equipment	<u>1,692,812</u>	<u>1,508,422</u>
Less: Accumulated Depreciation and Amortization	<u>(744,845)</u>	<u>(645,130)</u>
Property and Equipment, net of accumulated depreciation and amortization	<u>\$ 947,967</u>	<u>\$ 863,292</u>

Depreciation and Amortization expense for the years ended August 31, 2019 and 2018 was **\$101,031** and **\$116,841**, respectively.

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

Notes to Financial Statements
August 31, 2019 and 2018

Note E: Long-Term Debt

Line of Credit

The Organization maintains a line of credit with Frost Bank in the amount of \$200,000. As of August 31, 2019, no amount had been drawn on the line of credit.

Notes Payable

In 2016, the Organization entered into promissory notes with Amegy Bank in the amount of \$26,035 and \$21,808 for purchase of vehicle. The \$26,035 note payable matures on April 28, 2021 and bears a fixed interest rate of 3.74%. The \$21,808 note payable matures on July 5, 2021 and bears a fixed interest rate of 3.74%. The total balance of the notes payable at August 31, 2019 and 2018 was **\$15,940** and \$25,638, respectively.

Future maturities of notes payable at August 31, 2019 are as follows:

2020	\$	10,099
2021		5,841
2022		-
2023		-
2024		-
Thereafter		-
		<hr/>
	\$	<u>15,940</u>

Note F: 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, 2019 and 2018, the Organization's cash balance at its financial institution exceeded the insured FDIC limit by **\$1,249,101** and \$838,842, 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 Revenues

The Organization received approximately **70%** and 79% of total support and revenues from government contracts related funding in 2019 and 2018, respectively. The loss of funding from these contracts could reduce the Organization's ability to achieve its objectives.

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

Notes to Financial Statements
August 31, 2019 and 2018

Note F: Concentrations (Continued)

Support and Revenues (Continued)

Government Grants revenue at August 31 is summarized as follows:

Grant Name	Grant Source	2019	
		Amount	Percent of Total Support and Revenue
Texas Department of HHSC	Federal	\$ 2,454,866	46%
US Federal Probation and Pretrial	Federal	663,170	12%
Department of Family Protective Services	State	207,579	4%
Drug Court	Federal	161,412	3%
Medicaid	Federal	275,626	5%
Aids Coalition	Federal	2,650	0%
Total Government Grants		<u>\$ 3,765,303</u>	<u>70%</u>

Grant Name	Grant Source	2018	
		Amount	Percent of Total Support and Revenue
Texas Department of HHSC	Federal	\$ 2,367,774	47%
US Federal Probation and Pretrial	Federal	906,343	18%
Department of Family Protective Services	State	141,146	3%
Drug Court	Federal	261,396	5%
Medicaid	Federal	151,408	3%
Aids Coalition	Federal	147,350	3%
Total Government Grants		<u>\$ 3,975,417</u>	<u>79%</u>

Note G: Net Assets

Without Donor Restrictions consisted of the following at December 31:

	2019	2018
Undesignated Funds	\$ 1,403,730	\$ 1,500,509
Board Designated for Operations		
Prudent Reserve	400,000	250,000
Campus Expansion	50,000	50,000
Total Without Donor Restrictions	<u>\$ 1,853,730</u>	<u>\$ 1,800,509</u>

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

Notes to Financial Statements
August 31, 2019 and 2018

Note G: Net Assets (Continued)

With Donor Restrictions

With Donor Restrictions consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Restricted by Time or Purpose		
Campus Expansion	\$ <u>836,543</u>	\$ <u>442,526</u>
Total With Donor Restrictions	\$ <u>836,543</u>	\$ <u>442,526</u>

Note H: 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 I**)

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, 2019 and 2018 was **\$129,073** and \$117,190, 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 computer expense related to the lease for the years ended August 31, 2019 and 2018 was **\$94,196** and \$95,322, respectively.

Future minimum payments due under non-cancellable operating lease agreements at August 31, 2019 are summarized as follows:

2020	\$ 151,146
2021	142,443
2022	98,928
2023	8,244
2024	<u>-</u>
Total	\$ <u>400,761</u>

Note I: 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 **\$90,177** and \$87,550 for the fiscal years 2019 and 2018, respectively. The donated facility has been recognized in the Statement of Activities as Residential Rent In-Kind for the years ended August 31, 2019 and 2018, respectively.

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

Notes to Financial Statements
August 31, 2019 and 2018

Note I: In-Kind Contribution (Continued)

Goods and Services

Throughout the year the Organization receives donated goods and services mainly related to managed services and web exchange hosting. Accordingly, **\$20,554** and \$105,616 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, 2019 and 2018, respectively.

Note J: 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 2019 and 2018, amounted to **\$74,551** and \$68,496, respectively.

Note K: 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 L: 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 M: Subsequent Events

Subsequent events have been evaluated through December 2, 2019, which is the date the financial statements were available to be issued.

San Antonio Lifetime Recovery, Inc.
dba
Lifetime Recovery

Federal Report

August 31, 2019



Lifetime Recovery

Table of Contents

	Page
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards - Year Ended August 31, 2019	5
Notes to Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs - Year Ended August 31, 2019	7

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Directors of
Lifetime Recovery, Inc.

We have audited, in accordance with the 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, the financial statements of Lifetime Recovery, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 2, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lifetime Recovery's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lifetime Recovery's internal control. Accordingly, we do not express an opinion on the effectiveness of Lifetime Recovery's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lifetime Recovery's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards* (Continued)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Schrive, Carmona & Company, PLLC

San Antonio, Texas

December 2, 2019

**Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance**

To the Board of Directors of
Lifetime Recovery, Inc.

Report on Compliance for Each Major Federal Program

We have audited Lifetime Recovery's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lifetime Recovery's major federal programs for the year ended August 31, 2019. Lifetime Recovery's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lifetime Recovery's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lifetime Recovery's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lifetime Recovery's compliance.

Opinion on Each Major Federal Program

In our opinion, Lifetime Recovery complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

**Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance (Continued)**

Report on Internal Control Over Compliance

Management of Lifetime Recovery is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lifetime Recovery's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lifetime Recovery's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Schraver, Carmona & Company, PLLC

San Antonio, Texas

December 2, 2019

Lifetime Recovery, Inc.

Schedule of Expenditures of Federal Awards
Year Ended August 31, 2019

<u>Federal Grantor/Pass through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass Through Grant ID Number</u>	<u>Federal Grant Expended During the Year</u>
<i>U.S. Department of Health and Human Services</i>			
<i>Pass through the Texas Health and Human Services Commission</i>			
<u>Block Grants for Prevention and Treatment of Substance Abuse</u>	93.959		
Treatment Services - Adult		2016-048559-003	\$ 2,214,278
Recovery Support Services for Treatment Organizations	93.778	2016-048382-003	237,651
Texas Medicaid Program	93.778	2146888-01	275,626
<i>Pass through the Beat Aids Coalition Trust</i>			
Community Programs to Improve Minority Health Grant Program	93.137	2015LTR001	2,650
<i>Pass through County of Bexar, Texas</i>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	5H79TI026078-03	<u>47,064</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>2,777,269</u>
<i>U.S. Department of Justice</i>			
<i>Pass through County of Bexar, Texas</i>			
Drug Court Discretionary Grant Program	16.585	20470-10	<u>39,574</u>
<i>Total U.S. Department of Justice</i>			<u>39,574</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,816,843</u>

Lifetime Recovery, Inc.

Notes to Schedule of Expenditures of Federal Awards
August 31, 2019

Note A: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Lifetime Recovery, Inc. under programs of the federal government for the year ended August 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of Lifetime Recovery, it is not intended, and does not, present the financial position, changes in net assets or cash flows of Lifetime Recovery. Therefore, some amounts presented in the Schedule may differ from amounts presented in the financial statements.

All of Lifetime Recovery's federal awards were in the form of cash assistance for the year ended August 31, 2019.

Note B: Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR Part 230, *Costs Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Lifetime Recovery has elected to not use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Note C: Reconciliation to Statement of Activities in Financial Statements

Total Expenditures of Federal Awards	\$ 2,816,843
Other Government Contracts	948,460
Total Government Contracts	<u>\$ 3,765,303</u>

Government Contracts per the Statement of Activities include the following:

Texas Department of HHSC	\$ 2,454,866
US Federal Probation and Pretrial	663,170
Department of Family Protective Services	207,579
Drug Court	161,412
Medicaid	275,626
Aids Coalition	2,650
Total Government Contracts	<u>\$ 3,765,303</u>

Lifetime Recovery, Inc.

Schedule of Findings and Questioned Costs
Year Ended August 31, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal Control Over Financial Reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to the financial statements?	No

Federal Awards

Internal Control Over Major Programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516?	No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS None

SECTION III - FEDERAL AWARD FINDINGS None