

RISE RECOVERY

(Formerly Palmer Drug Abuse Program – San Antonio, Inc.)

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

Michael D. Burnett, CPA  
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## INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees  
Rise Recovery  
San Antonio, Texas

I have audited the accompanying statements of financial position of Rise Recovery (formerly Palmer Drug Abuse Program-San Antonio, Inc.) (a Texas nonprofit corporation) as of June 30, 2014 and 2013, 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.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted the audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

To the Board of Trustees  
Rise Recovery  
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**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rise Recovery as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Michael D. Burnett, CPA  
August 28, 2014

**RISE RECOVERY**  
**(Formerly Palmer Drug Abuse Program - San Antonio, Inc.)**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2013**

**ASSETS**

	<u>2014</u>	<u>2013</u>
<b>Current assets:</b>		
Cash-unrestricted	\$ 182,462	\$ 228,789
Cash-temporarily restricted	98,201	60,695
Total cash	<u>280,663</u>	<u>289,484</u>
Accounts receivable	-	-
Prepaid income taxes	-	-
Total current assets	<u>280,663</u>	<u>289,484</u>
<b>Property and equipment:</b>		
Building and improvements	65,530	65,530
Vehicles	62,484	38,828
Furniture and equipment	71,560	55,734
	<u>199,574</u>	<u>160,092</u>
Less accumulated depreciation	<u>(107,833)</u>	<u>(97,640)</u>
	<u>91,741</u>	<u>62,452</u>
<b>Other assets:</b>		
Certificate of deposit-designated as contingency fund	181,175	180,949
	<u>\$ 553,579</u>	<u>\$ 532,885</u>

**LIABILITIES AND NET ASSETS**

<b>Current liabilities:</b>		
Accounts payable	\$ 1,639	\$ 1,750
Accrued expenses	27,851	28,243
Income tax payable	-	3,681
Total current liabilities	<u>29,490</u>	<u>33,674</u>
<b>Net assets:</b>		
Unrestricted - operations	152,972	195,114
Unrestricted - property and equipment	91,741	62,453
	<u>244,713</u>	<u>257,567</u>
Designated as contingency fund	181,175	180,949
	<u>425,888</u>	<u>438,516</u>
Temporarily restricted	98,201	60,695
	<u>524,089</u>	<u>499,211</u>
	<u>\$ 553,579</u>	<u>\$ 532,885</u>

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

**RISE RECOVERY**  
**(Formerly Palmer Drug Abuse Program - San Antonio, Inc.)**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

	Unrestricted		Temporarily Restricted	Total
	Operations	Fixed Assets		
<b>Public support and revenue:</b>				
Public support:				
Contributions and grants	\$ 287,867	\$ -	\$ 149,970	\$ 437,837
United Way support	311,218	-		311,218
In-kind contributions	65,259	-	-	65,259
Support from bingo operation	-	-	-	-
Special events-net	152,246	-	-	152,246
Interest income	239	-	-	239
Other income	8,477	-	-	8,477
Total public support	<u>825,306</u>	<u>-</u>	<u>149,970</u>	<u>975,276</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	112,464	-	(112,464)	-
Total public support and revenue	<u>937,770</u>	<u>-</u>	<u>37,506</u>	<u>975,276</u>
<b>Expenses:</b>				
Program services:				
PDAP Younger Group	215,833	2,216		218,049
PDAP Older Group	328,040	3,370		331,410
PDAP Family Group	140,122	1,441		141,563
RISE Education/Prevention	69,658	1,865		71,523
RISE Youth Leadership	3,994	47		4,041
RISE Early Intervention	9,177	93		9,270
Total - Program Services	<u>766,824</u>	<u>9,032</u>	<u>-</u>	<u>775,856</u>
Supporting services:				
Management and general	97,627	318		97,945
Fundraising	75,754	843	-	76,597
Total expenses	<u>940,205</u>	<u>10,193</u>	<u>-</u>	<u>950,398</u>
Change in net assets	(2,435)	(10,193)	37,506	24,878
<b>Net assets at beginning of year</b>	376,063	62,453	60,695	499,211
Net interfund transfers in (out)	(39,481)	39,481	-	-
<b>Net assets at end of year</b>	<u>\$ 334,147</u>	<u>\$ 91,741</u>	<u>\$ 98,201</u>	<u>\$ 524,089</u>
Composition of unrestricted net assets:				
Operating	\$ 152,972			
Designated for contingency fund	<u>181,175</u>			
	<u>\$ 334,147</u>			

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of these financial statements.

**RISE RECOVERY**  
**(Formerly Palmer Drug Abuse Program - San Antonio, Inc.)**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED 30, 2013**

	Unrestricted			Total
	Operations	Fixed Assets	Temporarily Restricted	
<b>Public support and revenue:</b>				
Public support:				
Contributions and grants	\$ 236,956	\$ -	\$ 115,432	\$ 352,388
United Way support	287,904	-	-	287,904
In-kind contributions	65,259	-	-	65,259
Support from bingo operation	(4,672)	-	-	(4,672)
Special events-net	113,919	-	-	113,919
Interest income	328	-	-	328
Other income	8,272	-	-	8,272
Total public support	707,966	-	115,432	823,398
Net assets released from restrictions:				
Restrictions satisfied by payments	96,421	-	(96,421)	-
Total public support and revenue	804,387	-	19,011	823,398
<b>Expenses:</b>				
Program services	687,728	14,500	-	702,228
Supporting services:				
Management and general	71,676	421	-	72,097
Fundraising	26,219	42	-	26,261
Total expenses	785,623	14,963	-	800,586
Change in net assets	18,764	(14,963)	19,011	22,812
<b>Net assets at beginning of year</b>	359,799	74,916	41,684	476,399
Net interfund transfers in (out)	(2,500)	2,500	-	-
<b>Net assets at end of year</b>	<u>\$ 376,063</u>	<u>\$ 62,453</u>	<u>\$ 60,695</u>	<u>\$ 499,211</u>
Composition of unrestricted net assets:				
Operating	\$ 195,114			
Designated for contingency fund	180,949			
	<u>\$ 376,063</u>			

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of these financial statements.

**RISE RECOVERY**  
**(Formerly Palmer Drug Abuse Program - San Antonio, Inc.)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2014**

	Program Services							Management and General	Fundraising	Total
	PDAP Younger Group	PDAP Older Group	PDAP Family Group	RISE Education/Prevention	RISE Youth Leadership	RISE Early Prevention	Total Programs			
Salaries	\$ 145,369	\$ 220,896	\$ 94,414	\$ 37,931	\$ 2,652	\$ 6,186	\$ 507,448	\$ 66,619	\$ 52,212	\$ 626,279
Payroll taxes	11,470	17,433	7,389	2,973	198	476	39,939	5,252	4,048	49,239
Employee benefits	15,659	23,825	10,192	4,117	270	675	54,738	7,153	5,602	67,493
Total salaries and related expenses	172,498	262,154	111,995	45,021	3,120	7,337	602,125	79,024	61,862	743,011
Auto and auto mileage	6,079	9,249	3,955	1,596	122	257	21,258	627	491	22,376
Dues and subscriptions	439	668	286	316	8	19	1,736	201	157	2,094
Equipment maintenance/rental	2,742	4,172	1,785	721	48	119	9,587	1,253	981	11,821
Insurance	2,312	3,518	1,505	608	40	100	8,083	1,056	827	9,966
Occupancy costs	19,353	29,437	12,585	5,077	407	811	67,670	1,964	198	69,832
Other	700	1,065	456	184	12	30	2,447	1,525	250	4,222
Postage	260	395	169	68	5	11	908	119	93	1,120
Printing	451	687	293	993	9	19	2,452	281	2,078	4,811
Professional services	92	92	-	9,933	-	23	10,140	10,038	7,897	28,075
Staff development	862	1,312	561	2,500	15	37	5,287	394	308	5,989
Supplies/program events	5,918	9,003	3,850	1,553	118	250	20,692	728	570	21,990
Telephone/internet	4,127	6,288	2,682	1,088	90	164	14,439	417	42	14,898
Total expenses before depreciation	215,833	328,040	140,122	69,658	3,994	9,177	766,824	97,627	75,754	940,205
Depreciation	2,216	3,370	1,441	1,865	47	93	9,032	318	843	10,193
Total expenses	\$ 218,049	\$ 331,410	\$ 141,563	\$ 71,523	\$ 4,041	\$ 9,270	\$ 775,856	\$ 97,945	\$ 76,597	\$ 950,398
Percent of total	22.9%	34.9%	14.9%	7.5%	0.4%	1.1%	81.6%	10.3%	8.1%	100.0%

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



**RISE RECOVERY**  
**(Formerly Palmer Drug Abuse Program - San Antonio, Inc.)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2013**

	Program	Management and General	Fundraising	Total
Salaries	\$ 443,418	\$ 45,768	\$ 10,232	\$ 499,418
Payroll taxes	35,101	3,623	810	39,534
Employee benefits	54,953	5,672	1,269	61,894
Total salaries and related expenses	533,472	55,063	12,311	600,846
Auto and auto mileage	17,736	326	33	18,095
Dues , subscriptions and licenses	1,952	48	5	2,005
Equipment maintenance/rental	11,443	373	38	11,854
Insurance	7,868	1,483	332	9,683
Occupancy costs	66,268	1,882	190	68,340
Other	2,514	1,092	58	3,664
Postage and printing	5,650	583	130	6,363
Professional services	-	10,157	13,021	23,178
Supplies	24,390	279	62	24,731
Telephone	13,425	390	39	13,854
Training	3,010	-	-	3,010
Total expenses before depreciation	687,728	71,676	26,219	785,623
Depreciation	14,500	421	42	14,963
Total expenses	<u>\$ 702,228</u>	<u>\$ 72,097</u>	<u>\$ 26,261</u>	<u>\$ 800,586</u>
Percent of total	87.7%	9.0%	3.3%	100.0%

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

**RISE RECOVERY**  
**(Formerly Palmer Drug Abuse Program of San Antonio, Inc.)**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
<b>Cash flow from operating activities:</b>		
Change in net assets	\$ 24,878	\$ 22,812
Noncash items included in operations:		
Depreciation expense	10,193	14,963
Net temporarily restricted net assets	(37,506)	(19,011)
Effect of changes in operating working capital:		
Accounts and contributions receivable	-	4,750
Accounts payable and accrued expenses	(503)	7,378
Income tax payable	(3,681)	4,668
Net cash (used) provided by operating activities	(6,619)	35,560
 <b>Cash flows from investing activities:</b>		
Investment in certificate of deposit designated as contingency fund	(226)	(317)
Purchase of property and equipment	(39,482)	(2,500)
Net cash used by investing activities	(39,708)	(2,817)
 <b>Cash flow from financing activities:</b>		
Net temporarily restricted net assets	37,506	19,011
Net cash provided by financing activities	37,506	19,011
 Net (decrease) increase in cash	(8,821)	51,754
 <b>Cash at beginning of year</b>	289,484	237,730
 <b>Cash at end of year</b>	\$ 280,663	\$ 289,484
 <b>Schedule of supplemental cash flow information:</b>		
Income tax paid (related to bingo pull-tabs)	\$ -	\$ 6,573

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

RISE RECOVERY  
(Formerly Palmer Drug Abuse Program – San Antonio, Inc.)  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

NOTE 1 – NATURE OF ORGANIZATION

Rise Recovery (RISE) is a 12-step, faith-based nonprofit organization that offers group meetings, individual and family counseling, and fun activities that focus on healthy relationships and building life skills. In addition to recovery services for substance abuse, alcohol and drug addiction, RISE provides prevention and life skills education. RISE also works with students in middle schools, high schools, and alternative schools in the greater San Antonio area to help promote prevention. RISE was informally established in 1977 and legally incorporated in 1981. All services provided by RISE are free. Support is provided by foundations, businesses, churches, individuals, and United Way of San Antonio and Bexar County. Government funding is not accepted.

Direct recovery services are available to teenagers between the ages of 10 and 17, adults, family members of chemically dependent teenagers and adults, and adolescent siblings (ages 9-17) of chemically dependent teenagers or the children of adult addicts.

The Organization changed its legal name during the year ended June 30, 2014 to Rise Recovery from Palmer Drug Abuse Program – San Antonio, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of RISE have been prepared using accounting principles generally accepted in the United States of America. Accordingly, the financial statements reflect all significant receivables, payables, and other liabilities and required disclosures.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board for the format of financial statements for not-for-profit organizations. RISE is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Donated Services

The value of the time of unpaid volunteers who have donated significant time performing certain administrative functions is not reflected in these financial statements because it does not meet the requirements of recording under United States generally accepted accounting principles.

Allocated Expenses

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and support services based on management estimates.

Income Taxes

RISE is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors. In 2013 and prior years, the Organization paid income tax on unrelated business income from the bingo operations. The bingo operations were terminated during 2013.

RISE RECOVERY  
(Formerly Palmer Drug Abuse Program – San Antonio, Inc.)  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The tax returns are subject to examination by the IRS, generally for the three prior years. See Note 11 as to the results of an IRS examination for the year ended June 30, 2012.

Estimates

The preparation of financial statements in conformity with 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

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets released from restrictions.

Cash

Cash consists of monies on deposit in bank accounts and on hand. Certificates of deposit with original maturities in excess of three months are not classified as cash, but as certificates of deposit.

Property and Equipment

RISE capitalizes all expenditures for property and equipment in excess of \$750. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Depreciation is computed using the straight-line method.

Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurement. Therefore, for instruments classified in levels 1 and 2 of the hierarchy, where inputs are principally based on observable market data, there is less judgment applied in arriving at a fair value measurement. For instruments classified within level 3 of the hierarchy, judgments are more significant. The Organization's financial instruments and classification within the hierarchy are identified below.

Fair value of financial instruments standards require disclosure of fair value information about financial instruments, whether or not recognized in the statement for financial position. The following methods and assumptions were used by RISE in estimating its fair value disclosures for financial instruments:

- Certificates of deposit (level 1): The carrying amount reported in the statement of financial position approximates fair value because of the short-term maturities of those instruments.
- Accounts receivable (level 3): The carrying amount approximates fair value because the majority of the amount receivable is due within one year.

Reclassifications: Certain expenses in the 2013 functional expense schedule have been reclassified to conform to the 2014 presentation. Also, certain classifications in the 2013 statement of cash flows have been reclassified to conform to the 2014 presentation.

RISE RECOVERY  
(Formerly Palmer Drug Abuse Program – San Antonio, Inc.)  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

RISE has evaluated subsequent events through August 28, 2014, the date which the financial statements were available for issue.

NOTE 3 – CREDIT RISK CONCENTRATION

Periodically, cash balances maintained at RISE’s primary depository bank exceed federal deposit insurance limits. At June 30, 2014, cash balances did not exceed the insurance limits.

NOTE 4 – CERTIFICATE OF DEPOSIT DESIGNATED AS CONTINGENCY FUND

The certificate of deposit is designated by the Board of Directors of RISE as a contingency fund. This certificate of deposit may not be expended without the express approval of the Board of Trustees. The underlying contract expires December 30, 2014.

NOTE 5 – REVENUE AND SUPPORT CONCENTRATIONS

RISE received support from United Way of San Antonio and Bexar County totaling \$311,218 and \$287,904 for the years ended June 30, 2014 and 2013, which represents 33% and 35% of total support and revenue for those years, respectively. The announced United Way allocation for the year ending June 30, 2015 is \$323,780.

NOTE 6 – SPECIAL EVENTS

For the years ended June 30, 2014 and 2013, RISE sponsored a breakfast event, and the results were as follows:

	2014	2013
Total revenue	\$ 171,817	\$ 128,633
Less direct cost	19,571	14,714
	\$ 152,246	\$ 113,919

NOTE 7 – IN- KIND OCCUPANCY CONTRIBUTIONS

Space for the Organization’s administrative offices is made available rent-free by the Baptist Health System. Space for the day centers and group meetings is made available rent-free by various churches in the San Antonio area. For the years ended June 30, 2014 and 2013, the value of the donated space was estimated to be \$65,259.

NOTE 8 – BINGO OPERATIONS

Through March 31, 2012, RISE conducted a bingo operation in San Antonio. Income from the bingo activities was generally not taxable except for “pull-tab” activities which were considered unrelated business income that was taxable. RISE has provided for income tax on this revenue source.

Effective April 1, 2012, RISE, along with four other charities (all registered charities with the Texas Charitable Bingo Operations Division of the Texas Lottery Commission) entered into a Unit Operating Agreement in which the charities agreed to operate a bingo unit and share proportionally in contributions and operating results generated by the bingo unit’s activity. Under this arrangement,

RISE RECOVERY  
(Formerly Palmer Drug Abuse Program – San Antonio, Inc.)  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

NOTE 8 – BINGO OPERATIONS (continued)

the charities hired a unit manager to operate the bingo unit and a designated agent to handle the recordkeeping, reporting to the Texas Lottery Commission and other administrative aspects of the operation. The charities, including RISE, remain responsible for compliance with the Texas Lottery Commission rules and regulations.

The operating results of the bingo activities for the year ended June 30, 2013 is summarized as follows:

Net revenue after prizes paid	\$ --
Operating expenses	--
Profit (loss) from bingo unit operation	6,569
Income tax on pull-tab profit	<u>(11,241)</u>
	<u>\$ (4,672)</u>

Effective March 31, 2013, RISE discontinued participation in the unit bingo operations.

NOTE 9 – RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
Capacity building	\$ 27,040	\$ -
Program expenses	22,514	22,000
Vehicle purchase	10,000	-
Youth leadership	1,080	1,176
Technology upgrades	1,000	500
Furniture	7,221	7,619
Eastside building	9,716	9,716
Westside building	13,585	13,585
Capital improvement to buildings	1,993	1,993
Other	<u>4,052</u>	<u>4,106</u>
	<u>\$ 98,201</u>	<u>\$ 60,695</u>

NOTE 10 – RETIREMENT PLAN

RISE sponsors a SIMPLE retirement plan for all employees who meet plan requirements. RISE matches participant contributions up to 3% of compensation. The employer contribution totaled \$3,556 and \$3,540 for the years ended June 30, 2014 and 2013, respectively.

NOTE 11 – TAX EXAMINATION

During the year ended June 30, 2014, the IRS conducted an examination of the Organization's Form 990 and Form 990-T for the year ended June 30, 2012. The examination resulted in no change to the tax obligation for 2012. With respect to the Form 990, the IRS explained that the Organization should change the public charity designation in filing future Form 990s. No further action was required.

RISE RECOVERY  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

NOTE 12 – FUNCTIONAL EXPENSE SCHEDULE EXPANSION

During the year ended June 30, 2014, the Organization developed expanded detail in the functional expense schedule. This included recording direct cost by major programs and allocating indirect cost by statistical bases. The functional expense schedule for the year ended June 30, 2013 was not expanded due the information not being determinable.