RISE RECOVERY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Michael D. Burnett, CPA
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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 (a Texas nonprofit corporation) as of June 30, 2017 and 2016, 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.

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, 2017 and 2016, 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

Michael D. Burnett, CPA
September 1, 2017

RISE RECOVERY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
Current assets:		
Cash-unrestricted	$ 214,569	$ 214,050
Cash-temporarily restricted	115,481	9,866
Total cash	330,050	223,916
Pledges receivable	7,000	12,860
State grant receivable	23,887	21,346
Total current assets	360,937	258,122
Property and equipment:		
Building and improvements	72,498	72,498
Vehicles	46,980	46,980
Furniture and equipment	91,841	90,715
	211,319	210,193
Less accumulated depreciation	(114,808)	(87,815)
	96,511	122,378
Other assets:		
Land for expansion	480,169	-
Endowment investments	11,756	10,000
Certificate of deposit-designated as contingency fund	218,135	217,384
	710,060	227,384
	$ 1,167,508	$ 607,884

LIABILITIES AND NET ASSETS

	2017	2016
Current liabilities:		
Accounts payable	$ -	$ 321
Line of credit	-	14,000
Accrued expenses	20,838	11,196
Total current liabilities	20,838	25,517
Net assets:		
Unrestricted - operations	224,617	172,739
Unrestricted - property and equipment	96,511	122,378
	321,128	295,117
Designated as contingency fund	218,135	217,384
	539,263	512,501
Temporarily restricted - Capital Campaign	560,786	-
Temporarily restricted - General	34,865	59,866
Permanently restricted	11,756	10,000
	1,146,670	582,367
	$ 1,167,508	$ 607,884

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

RISE RECOVERY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted		Temporarily Restricted			
	Operations	Fixed Assets	General	Capital Campaign	Permanently Restricted	Total
Public support and revenue:						
Public support:						
Contributions and grants	$ 586,745	$ -	30,000	$ 605,524	700	$1,222,969
United Way support	338,423	-	-	-		338,423
In-kind contributions	63,282	-	-	-		63,282
Special events-net	173,935	-	-	-		173,935
Program revenue	22,837	-	-			22,837
Investment income	(351)	-	-	-	1,056	705
State Grant	213,222	-	-	-		213,222
Total public support	1,398,093	-	30,000	605,524	1,756	2,035,373
Net assets released from restrictions:						
Restrictions satisfied by payments	55,001	-	(55,001)	-		-
Total public support and revenue	1,453,094	-	(25,001)	605,524	1,756	2,035,373
Expenses:						
Program services:	1,078,901	26,197	-	-		1,105,098
Supporting services						
Management and general	176,215	1,385	-	-		177,600
Fundraising	139,981	999	-	47,392		188,372
Total expenses	1,395,097	28,581	-	47,392	-	1,471,070
Change in net assests	57,997	(28,581)	(25,001)	558,132	1,756	564,303
Net assets at beginning of year	390,123	122,378	59,866	-	10,000	582,367
Net interfund transfers in (out)	(5,368)	2,714	-	2,654	-	-
Net assets at end of year	$ 442,752	$ 96,511	$ 34,865	$ 560,786	$ 11,756	$1,146,670

Composition of unrestricted net assets:	
Operating	$ 224,617
Designated for contingency fund	218,135
	$ 442,752

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

RISE RECOVERY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted				
	Operations	Fixed Assets	Temporarily Restricted	Permanetly Restricted	Total
Public support and revenue:					
Public support:					
Contributions and grants	$ 438,766	$ -	$ 108,010	$ 10,000	$ 556,776
United Way support	335,894	-			335,894
In-kind contributions	70,259	-	-	-	70,259
Special events-net	204,188	-	-	-	204,188
Program revenue	34,963	-	-	-	34,963
Interest income	593	-	-	-	593
State grant	135,598	-	-	-	135,598
Total public support	1,220,261	-	108,010	10,000	1,338,271
Net assets released from restrictions:					
Restrictions satisfied by payments	78,273	-	(78,273)	-	-
Total public support and revenue	1,298,534	-	29,737	10,000	1,338,271
Expenses:					
Program services:	911,348	25,593	-	-	936,941
Supporting services:					
Management and general	150,935	1,266	-	-	152,201
Fundraising	87,966	424	-	-	88,390
Total expenses	1,150,249	27,283	-	-	1,177,532
Change in net assets	148,285	(27,283)	29,737	10,000	160,739
Net assets at beginning of year	263,946	127,553	30,129	-	421,628
Net interfund transfers in (out)	(22,108)	22,108	-	-	-
Net assets at end of year	$ 390,123	$ 122,378	$ 59,866	$ 10,000	$ 582,367

Composition of unrestricted net assets:	
Operating	$ 172,739
Designated for contingency fund	217,384
	$ 390,123

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

RISE RECOVERY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services									
	PDAP Younger Group	PDAP Older Group	PDAP Family Group	RISE Education/ Prevention	RISE Youth Leadership	RISE Youth Recovery Community Center	Total Programs	Management and General	Fundraising	Total
Salaries	$ 167,290	$ 245,358	$ 91,578	$ 20,929	$ 1,204	$ 144,740	$ 671,099	$ 117,970	$ 92,274	$ 881,343
Employee benefits	36,098	32,283	2,078	469	52	420	71,400	3,825	2,475	77,700
Workers compensation insurance	465	688	231	49	4	58	1,495	342	232	2,069
Payroll taxes	12,755	19,141	7,099	1,641	94	11,116	51,846	9,238	7,277	68,361
Total salaries and related expenses	216,608	297,470	100,986	23,088	1,354	156,334	795,840	131,375	102,258	1,029,473
Professional services	9,165	14,061	5,533	1,604	61	2,896	33,320	18,768	63,909	115,997
Insurance	3,275	4,533	1,526	333	29	448	10,144	2,106	1,633	13,883
Supplies/outings/program events	9,056	13,119	6,261	5,989	31	17,041	51,497	5,985	2,801	60,283
Telephone/internet	6,281	6,669	1,674	319	94	3,877	18,914	483	71	19,468
Postage	35	51	23	5	-	6	120	866	3,364	4,350
Occupancy	25,852	28,705	10,305	1,939	557	31,701	99,059	3,016	418	102,493
Equipment maintenance/rental	8,184	12,369	4,617	1,077	58	9,976	36,281	6,137	4,518	46,936
Printing	112	364	145	13	1	14	649	483	4,649	5,781
Vehicle expenses	5,554	10,682	2,478	597	31	3,665	23,007	37	309	23,353
Staff development	1,101	938	348	-	-	2,755	5,142	3,056	1,226	9,424
Dues/subscriptions/licenses	272	208	77	15	1	220	793	741	1,630	3,164
Other expenses	1,043	1,528	582	136	6	840	4,135	3,162	587	7,884
Total expenses before depreciation	286,538	390,697	134,555	35,115	2,223	229,773	1,078,901	176,215	187,373	1,442,489
Depreciation	8,380	9,262	3,418	3,084	110	1,943	26,197	1,385	999	28,581
Total expenses	$ 294,918	$ 399,959	$ 137,973	$ 38,199	$ 2,333	$ 231,716	$1,105,098	$ 177,600	$ 188,372	$ 1,471,070
Percent of total	20.0%	27.2%	9.4%	2.6%	0.2%	15.8%	75.1%	12.1%	12.8%	100.0%
Percent of total excluding Capital Campaign Fundraising Expenses - Note 13	20.7%	28.1%	9.7%	2.7%	0.1%	16.3%	77.6%	12.5%	9.9%	100.0%

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

RISE RECOVERY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services										
	PDAP Younger Group	PDAP Older Group	PDAP Family Group	RISE Education/ Prevention	RISE Youth Leadership	RISE Early Intervention	RISE Youth Recovery Community Center	Total Programs	Management and General	Fundraising	Total
Salaries	$ 189,335	$ 215,005	$ 77,267	$ 14,574	$ 4,312	$ 4,442	$ 80,223	$ 585,158	$ 107,799	$ 53,464	$ 746,421
Employee benefits	32,203	24,598	1,746	238	83	43	8,659	67,570	2,295	2,099	71,964
Workers compensation insurance	577	655	228	47	19	22	36	1,584	358	112	2,054
Payroll taxes	14,640	16,622	5,970	1,125	333	343	6,379	45,412	8,371	4,101	57,884
Total salaries and related expenses	236,755	256,880	85,211	15,984	4,747	4,850	95,297	699,724	118,823	59,776	878,323
Professional services	5,621	6,531	2,233	469	85	198	6,412	21,549	18,493	19,024	59,066
Insurance	3,167	3,505	1,326	233	80	77	170	8,558	2,048	560	11,166
Supplies/outings/program events	4,872	3,546	4,501	2,362	4,598	56	5,916	25,851	3,782	1,814	31,447
Telephone/internet	5,191	6,705	1,939	786	65	118	1,651	16,455	334	-	16,789
Postage	114	130	43	8	1	2	50	348	664	1,319	2,331
Occupancy	25,320	28,396	15,557	2,598	375	1,496	19,880	93,622	1,995	202	95,819
Equipment maintenance/rental	6,185	6,722	1,769	316	240	75	3,670	18,977	2,590	1,107	22,674
Printing	513	578	268	41	15	14	28	1,457	320	2,018	3,795
Vehicle expenses	6,609	8,292	2,137	394	228	1,011	621	19,292	14	266	19,572
Staff development	387	150	150	100	-	-	-	787	100	449	1,336
Dues/subscriptions/licenses	201	231	77	14	11	3	14	551	701	1,015	2,267
Other expenses	1,260	1,450	508	96	25	30	808	4,177	1,071	416	5,664
Total expenses before depreciation	296,195	323,116	115,719	23,401	10,470	7,930	134,517	911,348	150,935	87,966	1,150,249
Depreciation	9,033	10,106	3,387	1,129	678	451	809	25,593	1,266	424	27,283
Total expenses	$ 305,228	$ 333,222	$ 119,106	$ 24,530	$ 11,148	$ 8,381	$ 135,326	$ 936,941	$ 152,201	$ 88,390	$ 1,177,532
Percent of total	25.9%	28.3%	10.1%	2.1%	0.9%	0.8%	11.5%	79.6%	12.9%	7.5%	100.0%

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

RISE RECOVERY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flow from operating activities:		
Change in net assets	$ 564,303	$ 160,739
Noncash items included in operations:		
Depreciation expense	28,581	27,283
Investment earnings - restricted	(1,056)	-
Permanently restricted contributions	(700)	(10,000)
Effect of changes in operating working capital:		
Pledges receivable	5,860	(12,860)
Grants receivable	(2,541)	(21,346)
Accounts payable and accrued expenses	9,321	(16,789)
Net cash provided by operating activities	603,768	127,027
Cash flows from investing activities:		
Purchase of land for expansion	(480,169)	-
Investment in certificate of deposit designated as contingency fund	(751)	(35,583)
Investment in permanently restricted endowment fund	(1,756)	(10,000)
Purchase of property and equipment	(2,714)	(22,108)
Net cash used by investing activities	(485,390)	(67,691)
Cash flow from financing activities:		
(Repayments)/proceeds from line of credit	(14,000)	14,000
Proceeds from permanently restricted contributions and investment earnings	1,756	10,000
Net cash provided by financing activities	(12,244)	24,000
Net increase (decrease) in cash	106,134	83,336
Cash at beginning of year	223,916	140,580
Cash at end of year	$ 330,050	$ 223,916
Schedule of supplemental cash flow information:		
Cash paid for interest	$ -	$ 710

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

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 at no charge. Support is provided by foundations, businesses, churches, individuals, and the United Way of San Antonio and Bexar County.

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.

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.

The tax returns are subject to examination by the IRS, generally for the three prior years. The IRS examined the Form 990 and Form 990-T for the year ended June 30, 2013. The examination resulted in no change.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and Cash Equivalents
Cash and cash equivalents consists of monies on deposit in bank accounts and on hand and investments with an initial current maturity of three months or less.

Property and Equipment
RISE capitalizes all expenditures for property and equipment in excess of $1,000. 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 requires 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 2): The carrying amount reported in the statement of financial position approximates fair value because of the short-term maturity of this instrument.
- Investment account (level 3): The carrying amount is reported at fair value. The account is invested with the San Antonio Area Foundation in an investment fund that is invested in various marketable securities and fixed income instruments. See Note 10.

Grant Revenue
Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursed contracts. The contract activity is subject to audit by the granting agency or authorized representatives. Any findings could result in disallowance of expenditures under the contract.

Subsequent Events
RISE has evaluated subsequent events through September 1, 2017, the date which the financial statements were available for issue.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and Recently Issued Accounting Standards

- In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. This update requires changes to the presentation of Not-for-Profit Financial Statements. Changes include presenting two classes of net assets in the statement of financial position rather than three that is currently required; reporting amounts for net assets without donor restrictions and net assets with donor restrictions rather than the three classes of net assets currently requires in the statement of activities; increasing disclosures about board-imposed designations on resources; identifying the composition of restricted net assets, qualitative information that communicates how the organization manages it's liquid assets to meet cash requirements, and use the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify amounts from net assets without donor restrictions. The provisions of the ASU are effective for fiscal years beginning after December 15, 2017. Management is evaluating the impact that this update will have on the Organization's financial statements when adopted.

- In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classifications of Certain Cash Reports and Cash Payments. This update requires restricted cash and cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This update is effective for years beginning after December 15, 2018. Management is evaluating the impact that this update will have on the Organization's financial statements when adopted.

- In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Statement Update (ASU) 2014-09, Revenue from Contracts with Customers. On August 12, 2015, the FASB issued ASU 2015-14 to defer the effective date of this update until years beginning after December 15, 2019. The core principle of the update is that an entity must achieve five steps in order to recognize revenue in an exchange transaction. Management is evaluating the impact that this update will have on the Organization's financial statements when adopted.

- In February 2016, the FASB issued ASU 2016-02, Leases. This update requires entities to recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets. The provisions of this ASU are effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of this update on the financial statements when adopted.

- In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements – Going Concern: Disclosures of Uncertainties about Going Concern Issues. This update provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related footnote disclosures. ASU 2014-15 requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. This update is effective prospectively for years beginning after December 15, 2016. Management does not anticipate that the adoption of this update will have a significant impact on the Organization's financial position, results of operations or cash flows.

NOTE 3 –CREDIT RISK CONCENTRATION

Periodically, cash balances maintained at RISE's primary depository bank exceed federal deposit insurance limits. The Board of Trustees believes that the primary depository bank is adequately capitalized. At June 30, 2017, cash balances exceeded the federal insurance limits by $75,309.

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 certificate of deposit earns interest at an annual rate of 1.00%. The underlying contract expires April 14, 2018.

NOTE 5 – LINE OF CREDIT

The Organization has a line of credit agreement with Frost Bank, with no outstanding balance at June 30, 2017. Terms of the agreement include borrowings not to exceed $25,000 with interest due monthly at money center prime plus 1.25% (5.25% at June 30, 2017). Equipment and furniture serve as collateral to the agreement. The agreement expires on October 16, 2017.

NOTE 6 – REVENUE AND SUPPORT CONCENTRATIONS

RISE received support from United Way of San Antonio and Bexar County totaling $338,423 and $335,894 for the years ended June 30, 2017 and 2016, which represents 16.6% and 25.1% of total support and revenue for those years, respectively. The announced United Way allocation for the year ending June 30, 2018 is $315,021.

In addition, the Organization received a $500,000 grant during the year ended June 30, 2017 which represents 24.5% of total support and revenue. These proceeds were restricted to use in the Capital Campaign (see Note 13).

NOTE 7 – SPECIAL EVENTS

For the years ended June 30, 2017 and 2016, RISE sponsored a breakfast fundraising event, and the results were as follows:

	2017	2016
Total revenue	$ 215,076	$ 235,165
Less direct cost	41,141	30,977
	$ 173,935	$ 204,188

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2017 and 2016, consisted of the following:

	2017	2016
Phone System	$ 4,895	$ 5,000
Capital Campaign	560,786	-
Sport Court	30,000	-
Program Expenses for next year	-	54,866
	$ 595,651	$ 59,866

NOTE 9 – 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, 2017 and 2016, the value of the donated space was estimated to be $63,282 and $70,259 on an annual basis.

NOTE 10 – ENDOWMENT NET ASSETS

On December 31, 2015, the Organization received a $10,000 gift that the donor stipulated be held in perpetuity as an endowment. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment net assets totaled $11,756 at June 30, 2017. The net assets increased during the year due to $700 in contributions and investment earnings of $1,056.

NOTE 11 – 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 $14,433 and $7,084 for the years ended June 30, 2017 and 2016, respectively.

NOTE 12 – TEXAS DEPARTMENT OF STATE HEALTH SERVICES CONTRACT

During the year ended June 30, 2016, the Organization entered into a contract with the Texas Department of State Health Services to provide recovery treatment services for youth between the ages of 13-21. The contract year runs from September to August. The contract term may be extended on an annual basis for three additional years. Fees billed by the Organization are based on allowable cost incurred. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. The grant activity for the years ended June 30, 2017 and 2016 is as follows:

	2017	2016
Billed fees	$ 213,222	$ 135,598
Expenditures:		
Contract direct cost	$ 194,001	$ 110,924
Indirect costs	19,400	12,654
Contract capital cost	-	11,666
Total costs	$ 213,401	$ 135,244

NOTE 13 – CAPITAL CAMPAIGN

During the year ended June 30, 2017, the Organization initiated a Capital Campaign to raise funding for the purchase of land to build a facility to house the Organization's administrative staff and certain counseling staff and to have an additional location for services the Organization provides. The Organization received $605,524 in Capital Campaign contributions which was used, in part, to

NOTE 13 – CAPITAL CAMPAIGN (continued)

purchase 2 acres for future development of the facility and to fund Capital Campaign fundraising costs, which totaled $47,322. At June 30, 2017, the Capital Campaign account has a balance of $80,616 and is included in the cash – temporarily restricted balance. The increase in the Capital Campaign fundraising expenses caused the ratio of fundraising expenses to total expenses to increase by 3.2% to 12.8% as compared with 7.5% for the year ended June 30, 2016.