



Career and Recovery Resources, Inc.

**FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORTS**

June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Career and Recovery Resources, Inc.
Houston, Texas

Report on the Financial Statements

We have audited the financial statements of Career and Recovery Resources, Inc. (the Agency), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 Agency'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 Career and Recovery Resources, Inc., as of June 30, 2021 and 2020, 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.

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 (CFR) 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 October 27, 2021, on our consideration of the Agency'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 solely 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 the effectiveness of the Agency's 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 the Agency's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Houston, Texas
October 27, 2021

Career and Recovery Resources, Inc.
Statements of Financial Position

<i>June 30,</i>	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 868,988	\$ 1,113,985
Certificates of deposit	123,943	123,687
Grants receivable	939,527	242,600
Accounts receivable	3,030	3,048
Promises to give	318,511	623,185
Prepaid expenses	13,951	35,877
Total current assets	2,267,950	2,142,382
Property and equipment, net	3,349,678	3,512,759
Other assets		
Deposits	18,148	18,148
Total assets	\$ 5,635,776	\$ 5,673,289
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 60,050	\$ 33,554
Accrued expenses	171,474	87,632
Refundable advance - PPP	-	446,340
Total liabilities	231,524	567,526
Commitments and contingencies		
Net assets		
Without donor restrictions		
Designated for specific purpose	16,883	16,883
Undesignated	4,800,331	4,690,199
Total without donor restrictions	4,817,214	4,707,082
With donor restrictions	587,038	398,681
Total net assets	5,404,252	5,105,763
Total liabilities and net assets	\$ 5,635,776	\$ 5,673,289

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

Career and Recovery Resources, Inc.
Statements of Activities

<i>For the years ended June 30,</i>	Without Donor Restrictions	With Donor Restrictions	2021 Total	Without Donor Restrictions	With Donor Restrictions	2020 Total
Operating revenue and support						
Contributions	\$ 224,786	\$ 1,427,953	\$ 1,652,739	\$ 98,822	\$ 1,547,255	\$ 1,646,077
Capital campaign contributions	-	-	-	-	425	425
Government fees and grants	4,526,641	-	4,526,641	2,183,285	-	2,183,285
Government grant -PPP	446,340	-	446,340	-	-	-
Program service fees	16,030	-	16,030	20,048	-	20,048
Miscellaneous income	52,058	-	52,058	18,416	-	18,416
Net assets released from restrictions						
Expiration of timing restrictions	603,050	(603,050)	-	660,480	(660,480)	-
Satisfaction of donor restrictions	636,546	(636,546)	-	1,001,077	(1,001,077)	-
Total operating revenue and support	6,505,451	188,357	6,693,808	3,982,128	(113,877)	3,868,251
Operating expenses						
Employment related services	4,625,670	-	4,625,670	2,007,695	-	2,007,695
Drug and alcohol abuse	1,421,022	-	1,421,022	1,480,361	-	1,480,361
Management and general	581,505	-	581,505	717,513	-	717,513
Development	66,468	-	66,468	25,005	-	25,005
Total operating expenses	6,694,665	-	6,694,665	4,230,574	-	4,230,574
Changes in net assets from operations	(189,214)	188,357	(857)	(248,446)	(113,877)	(362,323)
Nonoperating revenue and support						
Gain on sale of property and equipment	299,346	-	299,346	-	-	-
Change in net assets	110,132	188,357	298,489	(248,446)	(113,877)	(362,323)
Net assets at beginning of year	4,707,082	398,681	5,105,763	4,955,528	512,558	5,468,086
Net assets at end of year	\$ 4,817,214	\$ 587,038	\$ 5,404,252	\$ 4,707,082	\$ 398,681	\$ 5,105,763

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

Career and Recovery Resources, Inc.
Statement of Functional Expenses

For the year ended June 30, 2021

	Program Services			Supporting Services			2021 Total
	Employment Related Services	Drug and Alcohol Abuse	Programs Subtotal	Management and General	Development	Supporting Subtotal	
Salaries	\$ 1,162,051	\$ 992,984	\$ 2,155,035	\$ 460,502	\$ 46,677	\$ 507,179	\$ 2,662,214
Fringe benefits	194,331	188,780	383,111	47,523	6,600	54,123	437,234
Total salaries and fringe benefits	1,356,382	1,181,764	2,538,146	508,025	53,277	561,302	3,099,448
Occupancy	53,559	94,716	148,275	48,047	-	48,047	196,322
Professional fees	71,518	33,350	104,868	114,706	-	114,706	219,574
Supplies	41,552	11,843	53,395	15,000	-	15,000	68,395
Conferences	5,140	4,646	9,786	3,146	-	3,146	12,932
Equipment rental/maintenance	6,925	12,868	19,793	119,764	-	119,764	139,557
Telephone	18,000	26,669	44,669	13,071	403	13,474	58,143
Insurance	-	-	-	47,448	-	47,448	47,448
Printing	158	2,034	2,192	8,171	-	8,171	10,363
Depreciation	-	-	-	107,567	-	107,567	107,567
Miscellaneous	-	1,700	1,700	9,828	11,655	21,483	23,183
Assistance to individuals	2,683,334	1,141	2,684,475	2,036	-	2,036	2,686,511
Postage	381	1,726	2,107	1,525	-	1,525	3,632
Travel	18,896	1,162	20,058	1,532	-	1,532	21,590
Management allocations	369,825	47,403	417,228	(418,361)	1,133	(417,228)	-
Total functional expenses	\$ 4,625,670	\$ 1,421,022	\$ 6,046,692	\$ 581,505	\$ 66,468	\$ 647,973	\$ 6,694,665

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

Career and Recovery Resources, Inc.
Statement of Functional Expenses

For the year ended June 30, 2020

	Program Services			Supporting Services			2020 Total
	Employment Related Services	Drug and Alcohol Abuse	Programs Subtotal	Management and General	Development	Supporting Subtotal	
Salaries	\$ 689,998	\$ 1,024,028	\$ 1,714,026	\$ 396,031	\$ 15,972	\$ 412,003	\$ 2,126,029
Fringe benefits	116,908	208,610	325,518	55,231	2,114	57,345	382,863
Total salaries and fringe benefits	806,906	1,232,638	2,039,544	451,262	18,086	469,348	2,508,892
Occupancy	52,704	88,308	141,012	38,629	-	38,629	179,641
Professional fees	30,020	48,964	78,984	99,635	-	99,635	178,619
Supplies	17,788	8,610	26,398	16,362	-	16,362	42,760
Conferences	3,387	5,632	9,019	667	-	667	9,686
Equipment rental/maintenance	9,820	6,433	16,253	135,518	-	135,518	151,771
Telephone	14,136	22,750	36,886	11,024	463	11,487	48,373
Insurance	5,551	-	5,551	41,829	-	41,829	47,380
Printing	-	2,804	2,804	1,082	-	1,082	3,886
Depreciation	-	-	-	114,563	-	114,563	114,563
Miscellaneous	1,101	-	1,101	2,187	4,946	7,133	8,234
Assistance to individuals	904,957	7,875	912,832	132	-	132	912,964
Postage	124	2,323	2,447	657	-	657	3,104
Travel	15,419	4,484	19,903	798	-	798	20,701
Management allocations	145,782	49,540	195,322	(196,832)	1,510	(195,322)	-
Total functional expenses	\$ 2,007,695	\$ 1,480,361	\$ 3,488,056	\$ 717,513	\$ 25,005	\$ 742,518	\$ 4,230,574

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

Career and Recovery Resources, Inc.
Statements of Cash Flows

<i>For the years ended June 30,</i>	2021	2020
Operating activities		
Changes in net assets	\$ 298,489	\$ (362,323)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	107,567	114,563
Contributions restricted to capital projects	-	(425)
Gain on sale of property and equipment	(299,346)	-
Changes in operating assets and liabilities		
Grants receivable	(696,927)	206,379
Accounts receivable	18	251
Promises to give	304,674	(274,307)
Prepaid expenses	21,926	9,958
Accounts payable	26,496	(16,262)
Accrued expenses	83,842	10,083
Refundable advance - PPP	(446,340)	446,340
Net cash provided by (used in) operating activities	(599,601)	134,257
Investing activities		
Reinvestment of interest income	(256)	(776)
Proceeds from sale of property and equipment	359,346	-
Purchases of property and equipment	(4,486)	(15,318)
Net cash provided by (used in) investing activities	354,604	(16,094)
Financing activities		
Proceeds from contributions restricted to capital projects	-	425
Net change in cash and cash equivalents	(244,997)	118,588
Cash and cash equivalents at beginning of year	1,113,985	995,397
Cash and cash equivalents at end of year	\$ 868,988	\$ 1,113,985

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

Career and Recovery Resources, Inc. Notes to Financial Statements

Note 1: ORGANIZATION

Career and Recovery Resources, Inc. (the Agency), a Texas not-for-profit corporation established in 1945, that envisions people living lives of self-determination and financial viability through behavioral and physical wellness, education, workforce development, and affordable housing. The Agency serves those needing a fresh start or a second chance. The core of our work is addressing economic and housing instability and issues for those in the criminal justice system, with specialized services for Youth and Veterans. Our services include an Outpatient Substance Use Treatment Program, Supportive Employment and Housing Services, Veterans Services, and an Employment Center that provides Job attainment and coaching, a Computer Lab, GED, and IT Training classes, to individuals who are under the Federal poverty level or have no-income. The agency's values of humility, dignity, compassion, inclusion, and integrity promote clients' autonomy by recognizing all individual's interest in self-reliance and resiliency.

The Agency's primary funding sources are:

- The United Way of the Texas Gulf Coast
- U.S. Department of Health and Human Services – Dept. of State Health Services
- U.S. Department of Housing and Urban Development
- U.S. Department of Veteran Affairs
- City of Houston – Housing and Community Services
- Harris County – Community Services
- Texas Department of Criminal Justice Administrative Office of U.S. Courts
- Texas Department Housing and Community Development
- Harris County Courts and Probation Office

The Agency's services include:

Employment Related Services

- Employment Services – Our UPRISE enterprise is our own business that employs hard to place workers, mainly those who are or have experienced homelessness to increase the financial stability. CRR provides a workforce for Aramark, Precinct 2 abatement and community clean-up services. Our goal is for our workforce to generate contracts to pay for the current programs and a living wage for our workers.
- Education and Training Services – Our Employment Center helps individuals explore interests and abilities, research occupational choices, sharpen job search skills, and overcome barriers to success. GED, IT and computer training are available to ensure clients have a viable path into the workforces. It also houses our computer and technology lab.

Career and Recovery Resources, Inc. Notes to Financial Statements

Note 1: ORGANIZATION (Continued)

- Senior Employees and Deaf Services - through partnerships with SER National Senior Community Service Employment Program and Empowered Hands, LLC, we support individuals over 55 finding work by housing SERS training and job placement offices, and for those deaf or hard of hearing refer them internally for specialized services including literacy education (providing basic math, reading and writing skills), computer skills and job placement services.
- Youth Services – in collaboration with ACAM Opportunity Youth Program we provide job training, education attainment, assessment and vocational placement for our BRIGHT girls (those coming out of foster care and juvenile justice) and other youths disconnected from economic opportunities to become self-sufficient.
- Supportive Services for Veteran Families – strives to prevent homelessness and enhance the housing stability of very low-income veteran families.
- Housing Stabilization Services – working with the Coalition for the Homeless, They Way Home continuum of care and coordinated access, CRR houses and provides supportive services to 350 individuals coming out of homelessness.

Substance Use Outpatient Treatment

The Alternative Program helps men and women learn to lead productive lives by addressing their substance use issues. Using evidence-based curriculum individuals receive outpatient supportive/intensive counseling, drug and alcohol education, HIV testing and PrEP education. Additionally, all clients are eligible for our employment services, and receive financial education.

- Specialized services for women with children working to reunite or maintain their family unit.
- Services for those coming out of the parole and probation system to ensure continued services or as an alternative to criminal charges for minor offenses.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Career and Recovery Resources, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to collectability of grants receivable and promises to give, useful lives of property and equipment and functional allocation of expenses.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

As of June 30, 2021 and 2020, designated cash of \$16,883 relates to the capital campaign, which is included in cash and cash equivalents.

Certificates of Deposit

The Agency's certificates of deposit have original maturities between six and twelve months.

Grants Receivable

Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Agency provides for losses on grants receivable using the allowance method. The allowance is based on experience, contracts with grantors, and other circumstances, which may affect the ability of grantors to meet their obligations.

Grant receivables are considered impaired if billings are not collected in accordance with the contractual terms. It is the Agency's policy to charge off uncollectible grants receivable when management determines the receivable will not be collected. Management considers all grants receivable to be collectible at June 30, 2021 and 2020 and therefore no allowance has been recorded in the accompanying financial statements.

Career and Recovery Resources, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates may be written off by management unless the donors indicate that payment is merely postponed. Management of the Agency considers the promises to give to be fully collectible at June 30, 2021 and 2020; accordingly, no allowance for doubtful accounts has been recorded.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to forty years.

Impairment of Long-Lived Assets

The Agency's long-lived assets are evaluated for impairment in accordance with generally accepted accounting principles which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. No impairment of long-lived assets was noted for the years ended June 30, 2021 and 2020.

Fair Value Considerations

The Agency uses fair value to measure financial and certain nonmonetary financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. The Agency's financial instruments (primarily cash and cash equivalents, certificates of deposit, receivables, and payables) are carried in the accompanying financial statements at amounts, which reasonably approximate fair value.

Career and Recovery Resources, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets

The Agency reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Agency, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for capital campaign reserve.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

A significant portion of the Agency's grants and contracts are from government agencies. These benefits received by the public as a result of the assets transferred is not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met. Funds received from non-exchange transactions in advance of barriers being met are recorded as refundable advances. Cost-reimbursable grants awards totaling \$4,550,927 and \$783,153 have not been recognized as revenues at June 30, 2021 and 2020, respectively, because the qualifying expenditures have not yet been incurred.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Career and Recovery Resources, Inc.
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Agency.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Costs identifiable to a program or supporting service, such as professional fees and assistance to individuals, are charged directly to that particular service. Shared costs are allocated amongst the various programs and supporting services. Personnel expenses are allocated based upon actual time and effort. Occupancy costs are allocated based on square footage occupied by the program or supportive service. Other expenses are allocated based on usage of benefits.

Advertising Costs

The Agency uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended June 30, 2021 and 2020, advertising costs totaled \$165 and \$984, respectively.

Fundraising Activities

The Agency incurred expenses totaling \$66,468 and \$25,005 for the years ended June 30, 2021 and 2020, respectively, related to fundraising.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Agency is exempt from taxes on income other than unrelated business income. No unrelated business income tax was incurred in 2021 and 2020.

The Agency utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2021 and 2020, the Agency has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

Career and Recovery Resources, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 27, 2021. See Note 7 and 18 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Future Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Agency is currently evaluating the impact of the guidance on its financial statements.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The amendments in this update apply to Not-for-Profit entities that receive contributed nonfinancial assets. Under the guidance, entities are required to (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets and certain qualitative information. This new guidance is required to be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. The Agency is currently evaluating the impact of the guidance on its financial statements.

Note 3: LIQUIDITY AND AVAILABILITY OF RESOURCES

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Agency considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures. The Agency has a goal to maintain financial assets to meet 60 days of normal operating expenses. As part of its liquidity management, the Agency invests cash in excess of daily requirements in various money market accounts, short-term investments including certificates of deposits and short-term treasury instruments.

Career and Recovery Resources, Inc.
Notes to Financial Statements

Note 3: LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The Agency has the following financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure:

<i>June 30,</i>	2021	2020
Cash and cash equivalents	\$ 868,988	\$ 1,113,985
Certificates of deposit	123,943	123,687
Grants receivable	939,527	242,600
Accounts receivable	3,030	3,048
Promises to give	318,511	623,185
Less: unavailable for general expenditure within one year due to:		
Board designation as a capital campaign reserve	(16,883)	(16,883)
Donor imposed restrictions	(587,038)	(398,681)
Amounts available for general expenditure within one year	\$ 1,650,078	\$ 1,690,941

The Agency also has access to a \$750,000 line of credit facility, which it could draw upon in the event of an unanticipated liquidity need. See Note 9 for more details.

Note 4: CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following:

<i>June 30,</i>	2021	2020
Certificate of deposit, interest rate 0.01% and 0.15%, respectively, maturing August 12, 2021 and February 13, 2021, respectively - not renewed at maturity	\$ 10,197	\$ 10,184
Certificate of deposit, interest rate 1.14%, maturing November 4, 2021 and November 4, 2020, respectively	103,438	103,428
Certificate of deposit, interest rate 0.01% and 2.13%, respectively, maturing August 13, 2022 and September 27, 2021, respectively	10,308	10,075
	\$ 123,943	\$ 123,687

Career and Recovery Resources, Inc.
Notes to Financial Statements

Note 5: PROMISES TO GIVE

Promises to give consist of the following:

<i>June 30,</i>	2021	2020
United Way	\$ 265,265	\$ 322,144
Coalition for the Homeless	-	297,791
Other	53,246	3,250
Total	\$ 318,511	\$ 623,185

Note 6: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>June 30,</i>	2021	2020
Land	\$ 618,438	\$ 678,438
Building	3,435,165	3,435,165
Furniture and equipment	113,170	108,684
	4,166,773	4,222,287
Accumulated depreciation	(817,095)	(709,528)
	\$ 3,349,678	\$ 3,512,759

Depreciation expense totaled \$107,567 and \$114,563 for the years ended June 30, 2021 and 2020, respectively.

Note 7: REFUNDABLE ADVANCE – PPP LOAN

In May 2020, the Agency received a loan in the amount of \$446,340 under the Paycheck Protection Program (PPP) pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and administered by the U.S. Small Business Administration (SBA). The PPP provides for forgivable loans to qualifying organizations. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll costs, rent and utilities and the borrower maintains specified levels of payroll and employment.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% at the terms of repayment established by the lender. Monthly principal and interest payments on the loan commence on the date the SBA remits the borrower's loan forgiveness amount to the lender or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period through the loan maturity date of May 2022.

Career and Recovery Resources, Inc.
Notes to Financial Statements

Note 7: REFUNDABLE ADVANCE – PPP LOAN (Continued)

The Agency is recognizing revenue from the PPP loan following the guidance under FASB ASC 958-605, government grant model. PPP loans are considered a conditional contribution and recorded as a refundable advance on the statement of financial position until the barriers to entitlement are met. The Agency considers the barriers to be incurrence of eligible costs and maintaining specified levels of payroll and employment. Revenue is recognized once conditions have been substantially met or explicitly waived.

The Agency is using the PPP loan funds for its payroll and benefit costs, purposes consistent with the PPP. As of June 30, 2021, the Agency has incurred \$446,340 of qualifying expenses under this PPP loan and has recognized PPP loan revenue related to these expenses. The Agency was uncertain about qualifications for forgiveness at June 30, 2020. Accordingly, PPP loan funds were recorded as a refundable advance on the statements of financial position at June 30, 2020.

In August 2021, the Agency received SBA notification that the PPP loan was fully forgiven.

Note 8: COMPENSATED ABSENCES

The Agency provides vacation and sick leave benefits to its employees. The cost of vacation benefits is recorded when such benefits are earned, as these are payable upon termination. The cost of sick leave benefits, which are not payable upon employee termination, is recorded when such benefits are taken. Accrued vacation benefits approximated \$172,000 and \$65,000, as of June 30, 2021 and 2020, respectively.

Note 9: LINE OF CREDIT

The Agency has a line of credit (line) arrangement with a bank totaling \$750,000. The line has a maturity date of May 24, 2022 and is secured by all real property. Borrowings under the credit agreement bear interest at prime rate but no less than 4% (4% at June 30, 2021). As of June 30, 2021, the Agency did not have an outstanding balance on the line.

Note 10: DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTION

As of June 30, 2021 and 2020, the Agency's Board of Directors designated \$16,883 as a capital campaign reserve.

Career and Recovery Resources, Inc.
Notes to Financial Statements

Note 11: NET ASSETS WITH DONOR RESTRICTIONS

At June 30, net assets with donor restrictions are available for the following purposes or periods:

<i>June 30,</i>	2021	2020
Subject to expenditure for specific purpose		
Employment related services	\$ 266,598	\$ 69,799
Technology support	48,437	-
Capital campaign	1,738	1,738
Caroline operating expense fund	5,000	5,000
Subject to passage of time	265,265	322,144
	\$ 587,038	\$ 398,681

Note 12: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes and timing specified by the donor as follows:

<i>For the years ended June 30,</i>	2021	2020
Employment and training programs	\$ 636,546	\$ 1,001,077
Timing restrictions	603,050	660,480
	\$ 1,239,596	\$ 1,661,557

Note 13: CONTRIBUTED SERVICES

The Agency uses donated space for office use in Waller County, Texas where program services are provided. This space is accounted for as an in-kind contribution, based on the fair value of rentals provided by the donor which totaled \$8,694 each for the years ended June 30, 2021 and 2020. These amounts are reflected in the accompanying financial statements for the years ended June 30, 2021 and 2020 as contributions revenue, with a corresponding rent expense recorded to occupancy expenses.

Note 14: CONCENTRATION OF CREDIT RISK

The Agency received 58% and 88% of its support and revenue during 2021 and 2020, respectively, from three and five organizations, respectively. A significant decline in contribution revenue and governmental support could have an adverse impact on the Agency's future operating results. At June 30, 2021 and 2020, amounts due from three donors accounted for 55% and 85%, respectively, of the Agency's receivables.

Career and Recovery Resources, Inc.
Notes to Financial Statements

Note 14: CONCENTRATION OF CREDIT RISK (Continued)

The Agency maintains cash accounts at various banks, which at times, may exceed the Federal Deposit Insurance Corporation's limit. The Agency has not experienced any losses from maintaining cash accounts in excess of the federally insured limit. Management reviews the credit ratings of the financial institutions with which it conducts business on an annual basis and believes any credit risk is low due to the overall financial strength of the financial institutions.

Note 15: COMMITMENTS AND CONTINGENCIES

Operating Leases

The Agency leases facilities and equipment under operating leases expiring through fiscal year 2024. During the years ended June 30, 2021 and 2020, rent incurred for leased facilities and equipment amounted to \$106,054 and \$114,903, respectively.

Future minimum lease payments under non-cancellable operating leases are as follows:

<i>Year ending June 30,</i>	
2022	\$ 75,301
2023	73,811
2024	28,717
	<u>\$ 177,829</u>

Grant Assistance

The Agency receives significant financial assistance from federal, state and local government agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits would become a liability of the Agency. However, in the opinion of management, any potential disallowed claims, if any, would not have a material effect on the Agency's financial statements.

Note 16: EMPLOYEE RETIREMENT PLAN

The Agency has a profit sharing plan and an annual discretionary distribution may be made by the Agency. No contributions were made to the profit sharing plan for the years ended June 30, 2021 and 2020.

Career and Recovery Resources, Inc. Notes to Financial Statements

Note 17: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel Coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Agency. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial and stock markets, and (v) the effects on the economy overall, all of which are uncertain.

Note 18: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after June 30, 2021 through October 27, 2021, the date the Agency's financial statements were available to be issued. The following item occurred:

In September 2021, the Agency entered into a subrecipient agreement with the Coalition for the Homeless of Houston / Harris County for provision of housing and employment services under the Texas Department of Housing and Community Affairs funded by the U.S. Department of Treasury. The maximum compensation for eligible activities under the subrecipient agreement is \$1,792,250. The term period for the subrecipient agreement is September 2021 to August 2022.

SINGLE AUDIT REPORTS

Career and Recovery Resources, Inc.
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-through Grantor/Contract Number	2021 Expenditures	Expenditures to Subrecipients
U.S. Department of Veteran Affairs				
Direct Funding				
VA Supportive Services for Veteran Families	64.033	20-TX-448	\$ 934,453	\$ -
COVID - 19 VA Supportive Services for Veteran Families	64.033	20-TX-448-CA	1,221,717	-
Total U.S. Department of Veteran Affairs			2,156,170	-
U.S. Department of Health and Human Services				
Passed through Texas Department of State Health Services				
Women's Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048507-003	8,661	-
Women's Block Grants for Prevention and Treatment of Substance Abuse	93.959	HHS000663700149	69,214	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048568-003	96,184	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	HHS000663700073	287,318	-
Total U.S. Department of Health and Human Services			461,377	-
U.S. Department of Housing and Urban Development				
Passed through City of Houston				
COVID - 19 Community Development Block Grants / Entitlement Grants Cluster	14.218	HCD20-121_CRR CDBG-CV	52,664	-
Passed through Harris County				
COVID - 19 Community Development Block Grants / Entitlement Grants Cluster	14.218	B-20-UC-48-0002	58,239	-
COVID - 19 Community Development Block Grants / Entitlement Grants Cluster	14.218	B-20-UC-48-0002-2020-0038	66,946	-
COVID - 19 Community Development Block Grants / Entitlement Grants Cluster	14.218	E-20-UW-48-0002	1,140	-
Total Community Development Block Grants / Entitlement Grants Cluster			178,989	-
Passed through Texas Department of Housing and Community Affairs COVID - 19 Emergency Solutions Grant Program	14.231	43207000096	275,302	-
Passed through City of Houston				
COVID - 19 Emergency Solutions Grant Program	14.231	HCD20-121_CRR ESG-CV	657,056	-
			932,358	-
Passed through Texas Department of Housing and Community Affairs				
Emergency Solutions Grant Program	14.231	46000016579-2021 - 0249-ESG	20,168	-
Passed through Coalition for the Homeless				
Emergency Solutions Grant Program	14.231	46000015286-2019-0057-ESG	102,895	-
Passed through Child Care Council of Greater Houston, Inc.				
Emergency Solutions Grant Program	14.231	46000016579-2021 - 0249	3,485	-
			126,548	-
Total Emergency Solutions Grant Program			1,058,906	-
Passed through U.S. VETS				
Supportive Housing Program	14.235	2021-2022	62,753	-
Total Supportive Housing Program			62,753	-
Total U.S. Department of Housing and Urban Development			1,300,648	-
Total Expenditures of Federal Awards			\$ 3,918,195	\$ -

*See independent auditors' report and accompanying notes to Schedule of Expenditures of
Federal Awards.*

Career and Recovery Resources, Inc. Notes to Schedule of Expenditures of Federal Awards

Note 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Career and Recovery Resources, Inc. (the Agency) under programs of the federal government for the year ended June 30, 2021. 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 the Agency, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Agency.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: RECONCILIATION TO FINANCIAL STATEMENTS

The following reconciles the accompanying schedule of expenditures of Federal awards to government fees and grants as reported in the financial statements of the Agency:

<i>For the year ended June 30,</i>	2021
Total expenditures of federal awards per accompanying schedule	\$ 3,918,195
State awards	131,369
Other federal and state vendor contracts	477,077
Total government fees and grants per Statements of Activities	\$ 4,526,641

Note 4: INSURANCE COVERAGE

During the year ended June 30, 2021, the Agency maintained the following types of insurance:

- Commercial general liability including professional liability and property coverage includes \$1,000,000 each occurrence, \$3,000,000 general aggregate.
- Automobile liability- \$1,000,000 combined single limit.
- Umbrella liability coverage includes \$3,000,000 each occurrence, \$3,000,000 aggregate.
- Directors and officer liability (including fiduciary and employment practices)-\$2,000,000 aggregate.
- Workers compensation coverage includes \$1,000,000 for each accident.

Career and Recovery Resources, Inc.
Notes to Schedule of Expenditures of Federal Awards

Note 5: NONCASH ASSISTANCE

The Agency did not receive any federal noncash assistance for the year ended June 30, 2021.

Note 6: INDIRECT COST

The Agency has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance for the year ended June 30, 2021.

Note 7: LOANS AND LOAN GUARANTEES

The Agency did not have any loans or loan guarantee programs required to be reported on the Schedule for the year ended June 30, 2021.

INDEPENDENT AUDITORS' 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
Career and Recovery Resources, Inc.
Houston, Texas

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 Career and Recovery Resources, Inc. (the Agency), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the Agency'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*.

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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Houston, Texas
October 27, 2021



Carr, Riggs & Ingram, LLC
Two Riverway
15th Floor
Houston, TX 77056

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Career and Recovery Resources, Inc.
Houston, Texas

Report on Compliance for Each Major Federal Program

We have audited Career and Recovery Resources, Inc. (the Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2021. The Agency's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency'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 the Agency'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 the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency 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 June 30, 2021.

Report on Internal Control Over Compliance

Management of the Agency 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 the Agency'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 the Agency'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Career and Recovery Resources, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
October 27, 2021

**Career and Recovery Resources, Inc.
Schedule of Findings and Questioned Costs
For the year ended June 30, 2021**

SECTION I: SUMMARY OF AUDITORS' RESULTS

2021 Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiencies identified not considered to be material weaknesses? None noted

Noncompliance material to financial statements noted? No

2021 Federal Awards

Internal control over major programs:

- Material weakness (es) identified? No
- Significant deficiencies identified not considered to be material weaknesses? Yes

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the *Uniform Guidance*? Yes

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
14.231	Emergency Solutions Grant Program
14.231	COVID – 19 Emergency Solutions Grant Program
64.033	VA Supportive Services for Veteran Families
64.033	COVID – 19 VA Supportive Services for Veteran Families

Dollar threshold used to distinguish between Type A and type B programs:

Federal \$750,000

Career and Recovery Resources, Inc.
Schedule of Findings and Questioned Costs
For the year ended June 30, 2021

SECTION I: SUMMARY OF AUDITORS' RESULTS (Continued)

Auditee qualified as low-risk auditee?

Federal

Yes

SECTION II: FINANCIAL STATEMENT FINDINGS

None for the year ended June 30, 2021.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-001 Compliance and Internal Controls over Eligibility (Significant Deficiency, finding originated in June 30, 2020 audit)

Assistance Listing Number 64.033 VA Supportive Services for Veteran Families and VA Supportive Services for Veteran Families – CARES Act
2019-2020 and 2020-2021 Funding
U.S. Department of Veteran Affairs

Criteria: Under 2 CFR Section 200.303(a), non-federal entities must establish and maintain effective internal controls to provide reasonable assurance that the entity is managing the federal awards in compliance with statutes, regulations, and the terms and conditions of the award.

Condition: The Agency's internal controls over eligibility were not operating effectively. Seven out of the forty participant files reviewed did not contain program supervisor's signature on the certifications of eligibility forms indicating verification and approval of case managers' assessment. Additionally, four out of the forty participant files reviewed did not contain program closeout checklist or the checklist was not signed by the program manager indicating sufficient evidence to support participants files were reviewed for completeness of documentation and proper closeout. Furthermore, nine of the forty participant files reviewed were missing case notes and / or other documentation required to be maintained under the grant agreement.

Effect: Without internal controls operating effectively, it is possible that the Agency would be at risk to be out of compliance with the eligibility compliance requirements of the program. The Agency cannot effectively manage its federal program with controls that do not operate effectively.

Cause: The Agency had an underperforming program manager and turnover in its grant personnel resulting in lapses over the eligibility review process.

Questioned Costs: None.

**Career and Recovery Resources, Inc.
Schedule of Findings and Questioned Costs
For the year ended June 30, 2021**

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Auditors' Recommendation: We recommend that certificate of eligibility forms for all participants are reviewed and signed off by the program supervisor. Additionally, the program manager should review and sign off on the program closeout checklist signifying completeness of documentation and proper closeout.

Views of Responsible Officials: Management has already taken action to ensure deficiencies noted above are being promptly corrected and control recommended above is being implemented. A new program manager replaced previous program manager and is ensuring controls are being applied consistently to all certification of eligibility forms and closeout checklists.

2021-002 Compliance and Internal Controls over Reporting (Significant Deficiency)

Assistance Listing Number 64.033 VA Supportive Services for Veteran Families
2019-2020 Funding
U.S. Department of Veteran Affairs

Criteria: Under 2 CFR Section 200.303(a), non-federal entities must establish and maintain effective internal controls to provide reasonable assurance that the entity is managing the federal awards in compliance with statutes, regulations, and the terms and conditions of the award. Additionally, under 38 CFR 62.71, grantees are required to comply with VA reporting procedures.

Condition: Grant closeout report for VA Supportive Services for Veteran Families 2019-2020 funding was not submitted timely. The Agency's established controls over the reporting process did not work effectively to detect and / or correct this non-compliance over the closeout reporting process.

Effect: This report is important to the VA because it lets them know about any unused funds that may need to be returned back by the grantee.

Cause: There is no formal reporting calendar established at the Agency to prevent / detect reporting non-compliance.

Questioned Costs: None.

Auditors' Recommendation: We recommend that reporting deadlines are distributed at the start of the contract period. The Program Director should be responsible for adherence to these reporting requirements.

Views of Responsible Officials: Management has already taken action to ensure any deficiencies noted are being promptly corrected. A formal reporting schedule has been devised and distributed to program managers with program director being responsible for timely submission of all required reports.

**Career and Recovery Resources, Inc.
Summary Schedule of Prior Audit Findings
For the year ended June 30, 2021**

U.S. DEPARTMENT OF VETERAN AFFAIRS

2020-001 Compliance and Internal Controls over Reporting (Significant Deficiency)

Assistance Listing Number 64.033 VA Supportive Services for Veteran Families and VA Supportive Services for Veteran Families – CARES Act
2019-2020 Funding

Condition: Controls were not established to ensure proper support was maintained to document participation satisfaction surveys were provided within 30 days prior to such participant's pending exit date from the Agency's program.

Recommendation: It was recommended that the program manager reviews and signs off on the program closeout checklist which details participant survey as a to-do item before the participant is released from the program. Additionally, it was recommended that support for all surveys provided is maintained in the participant file.

Current Status: This requirement was not applicable for 2020-2021 Funding.

2020-002 Internal Controls over Eligibility (Significant Deficiency)

Assistance Listing Number 64.033 VA Supportive Services for Veteran Families and VA Supportive Services for Veteran Families – CARES Act
2019-2020 Funding

Condition: The Agency's controls over eligibility were not operating effectively. Five out of the forty participant files reviewed did not contain program manager's signature on the certifications of eligibility forms indicating verification and approval of case managers' assessment.

Recommendation: It was recommended that certifications of eligibility forms for all participants are reviewed and signed off by the program manager.

Current Status: During 2021, the Agency required program supervisors to sign off on the certificate of eligibility forms as evidence of their review and approval of case managers' assessment. However, the control was not implemented completely and the finding was not corrected. The discussion to finding 2021-001 also applies to this finding.

Career and Recovery Resources, Inc.
Corrective Action Plan
For the year ended June 30, 2021



Career and Recovery
Resources, Inc.

BOARD OF DIRECTORS

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Courtney Blackburn
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Brent Sumon
Dr. Muddassir Siddiqi
Felissa Sylvester
Jacqueline Watson
Alexandra Willhite

October 27, 2021

Career and Recovery Resources, Inc. respectively submits the following corrective action plan for the year ended June 30, 2021.

Carr, Riggs & Ingram, LLC
Two Riverway, 15th Floor
Houston, TX 77056

Audit Period: Fiscal Year July 1, 2020 – June 30, 2021

2021 001 Compliance and Internal Controls over Eligibility (Significant Deficiency, finding originated in June 30, 2020 audit)

Recommendation: We recommend that certificate of eligibility forms for all participants are reviewed and signed off by the program supervisor. Additionally, the program manager should review and sign off on the program closeout checklist signifying completeness of documentation and proper closeout.

Corrective Action: Due to COVID and poor performance issues, Management went through another turnover in staffing in the program that led to the control not being implemented consistently. This second turnover in teams and supervisors resulted in inconsistent application of the control. The new Program Manager and the new Case Managers have now consistently ensured that the Case Manager's assessment of eligibility is signed off by a program supervisor. The Program Manager will sign off on all program closeout checklist. In their absence the Program Director will sign off.

Responsible party: SSVF Program Manager- Andrea Cooper /Program Director- Nkechi Agwuenu

Date Expected to be corrected: Immediately

2021 002 Compliance and Internal Controls over Reporting (Significant Deficiency)


Recommendation: We recommend that reporting deadlines are distributed at the start of the contract period. The Program Director should be responsible for adherence to these reporting requirements.

Corrective Action: Management has already taken action to ensure any deficiencies noted are being promptly corrected. A formal reporting schedule has been devised and distributed to program managers with program director being responsible for timely submission of all required reports.

Responsible party: SSVF Program Manager – Andrea Cooper /Program Director- Nkechi Agwuenu

Date Expected to be corrected: Immediately

Sincerely,


Kelly Young
CEO

CEO
Kelly Young, M.S.
Career and Recovery
Resources, Inc.
2525 San Jacinto
Houston TX, 77031
713.754.7000

