

Turtle Creek Manor, Inc.
dba Turtle Creek Recovery Center

Financial Statements

December 31, 2017 and 2016

Turtle Creek Manor, Inc.
dba Turtle Creek Recovery Center

December 31, 2017 and 2016

Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	1-2
<u>Audited Financial Statements</u>	
Statements of Financial Position.....	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9-12
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	13-14



Independent Auditor's Report

To the Board of Directors of
Turtle Creek Manor, Inc.
dba Turtle Creek Recovery Center

Report on the Financial Statements

We have audited the accompanying financial statements of Turtle Creek Manor, Inc. dba Turtle Creek Recovery Center (a non-profit organization), which comprise the statements of financial position as of December 31, 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

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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Turtle Creek Manor, Inc. dba Turtle Creek Recovery Center as of December 31, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018 on our consideration of Turtle Creek Manor, Inc. dba Turtle Creek Recovery Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Turtle Creek Manor, Inc. dba Turtle Creek Recovery Center's internal control over financial reporting and compliance.

Evans & Knauth, PLLC

Frisco, Texas
October 30, 2018

Turtle Creek Manor, Inc.
 dba Turtle Creek Recovery Center
 Statements of Financial Position
 December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Cash and cash equivalents	\$ 209,221	\$ 345,227
Accounts receivable, net	144,934	128,525
Prepaid expenses	13,223	13,826
Property and equipment, net	<u>122,282</u>	<u>126,592</u>
 Total assets	 <u>\$ 489,660</u>	 <u>\$ 614,170</u>
 Liabilities:		
Accounts payable	\$ 39,918	\$ 16,921
Accrued expenses	<u>47,119</u>	<u>27,326</u>
 Total liabilities	 <u>87,037</u>	 <u>44,247</u>
 Net assets:		
Unrestricted	372,623	539,923
Temporarily restricted	<u>30,000</u>	<u>30,000</u>
 Total net assets	 <u>402,623</u>	 <u>569,923</u>
 Total liabilities and net assets	 <u>\$ 489,660</u>	 <u>\$ 614,170</u>

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

Turtle Creek Manor, Inc.
 dba Turtle Creek Recovery Center
 Statement of Activities
 For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Government grants and programs	\$ 53,121	\$ -	\$ 53,121
Program service fees	1,036,484	-	1,036,484
United Way	35,062	30,000	65,062
Contributions	32,944	-	32,944
Interest	97	-	97
Other income	1,809	-	1,809
Special events, net of direct benefits to donors	3,910	-	3,910
Assets released from restrictions	30,000	(30,000)	-
Total support and revenues	<u>1,193,427</u>	<u>-</u>	<u>1,193,427</u>
 Expenses			
Program expenses - residential treatment	1,162,278	-	1,162,278
Management and general	145,499	-	145,499
Fundraising	28,522	-	28,522
Total expenses	<u>1,336,299</u>	<u>-</u>	<u>1,336,299</u>
 Change in net assets before other gains (losses)	(142,872)	-	(142,872)
 Other gains (losses)			
Loss on settlement	(24,428)	-	(24,428)
Total other gains (losses)	<u>(24,428)</u>	<u>-</u>	<u>(24,428)</u>
 Change in net assets	(167,300)	-	(167,300)
 Net assets at beginning of year	<u>539,923</u>	<u>30,000</u>	<u>569,923</u>
 Net assets at end of year	<u>\$ 372,623</u>	<u>\$ 30,000</u>	<u>\$ 402,623</u>

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

Turtle Creek Manor, Inc.
 dba Turtle Creek Recovery Center
 Statement of Activities
 For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Government grants and programs	\$ 84,835	\$ -	\$ 84,835
Program service fees	985,457	-	985,457
United Way	43,830	30,000	73,830
Contributions	76,786	-	76,786
Interest	111	-	111
Other income	1,810	-	1,810
Loss on disposal of assets	(1,017)		(1,017)
Assets released from restrictions	30,000	(30,000)	-
Total support and revenues	<u>1,221,812</u>	<u>-</u>	<u>1,221,812</u>
 Expenses			
Program expenses - residential treatment	1,089,149	-	1,089,149
Management and general	81,269	-	81,269
Fundraising	33,390	-	33,390
Total expenses	<u>1,203,808</u>	<u>-</u>	<u>1,203,808</u>
 Change in net assets	 18,004	 -	 18,004
 Net assets at beginning of year	 <u>521,919</u>	 <u>30,000</u>	 <u>551,919</u>
 Net assets at end of year	 <u>\$ 539,923</u>	 <u>\$ 30,000</u>	 <u>\$ 569,923</u>

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

Turtle Creek Manor, Inc.
 dba Turtle Creek Recovery Center
 Statement of Functional Expenses
 Year Ended December 31, 2017

	Residential Treatment	Management and General	Fundraising	Totals
Automobile and transportation	\$ 27,964	\$ 5	\$ -	\$ 27,969
Client assistance	75,791	299	-	76,090
Computer	10,230	1,943	-	12,173
Conference & training	1,795	-	-	1,795
Contract labor	10,400	-	2,569	12,969
Depreciation	22,607	-	-	22,607
Employee health insurance	82,214	8,314	1,848	92,376
Equipment	7,356	-	-	7,356
Insurance	22,274	2,253	501	25,028
Interest	-	55	-	55
Miscellaneous	9,860	1,225	478	11,563
Occupancy	35,214	1,434	-	36,648
Payroll taxes	51,970	5,255	1,168	58,393
Postage and delivery	381	165	-	546
Professional fees	71,998	55,729	8,000	135,727
Repairs and maintenance	27,918	-	-	27,918
Salaries	664,393	67,678	13,928	745,999
Fundraising	-	-	-	0
Subscriptions and dues	332	245	-	577
Supplies	24,589	845	30	25,464
Telecommunications	14,992	54	-	\$ 15,046
Total expenses	<u>\$ 1,162,278</u>	<u>\$ 145,499</u>	<u>\$ 28,522</u>	<u>\$ 1,336,299</u>

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

Turtle Creek Manor, Inc.
 dba Turtle Creek Recovery Center
 Statement of Functional Expenses
 Year Ended December 31, 2016

	Residential Treatment	Management and General	Fundraising	Totals
Automobile and transportation	\$ 32,374	\$ 66	\$ -	\$ 32,440
Client assistance	69,940	52	-	69,992
Computer	4,505	1,512	-	6,017
Conference & training	6,890	-	-	6,890
Contract labor	42,519	-	6,003	48,522
Depreciation	23,337	-	-	23,337
Employee health insurance	75,313	3,891	-	79,204
Equipment	8,206	912	-	9,118
Insurance	18,463	3,457	-	21,920
Miscellaneous	19,825	2,517	-	22,342
Occupancy	43,688	1,908	-	45,596
Payroll taxes	48,833	2,662	1,086	52,581
Postage and delivery	136	441	-	577
Professional fees	65,249	12,738	12,000	89,987
Repairs and maintenance	31,162	469	-	31,631
Salaries	563,552	43,021	14,200	620,773
Fundraising	1,183	3,425	-	4,608
Subscriptions and dues	199	251	-	450
Supplies	24,045	2,866	101	27,012
Telecommunications	9,730	1,081	-	10,811
Total expenses	<u>\$ 1,089,149</u>	<u>\$ 81,269</u>	<u>\$ 33,390</u>	<u>\$ 1,203,808</u>

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

Turtle Creek Manor, Inc.
 dba Turtle Creek Recovery Center
 Statements of Cash Flows
 For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (167,300)	\$ 18,004
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Loss on disposal of assets	-	1,017
Depreciation	22,607	23,337
(Increase) decrease in accounts receivable	(16,409)	775
(Increase) decrease in prepaid expenses	603	(1,930)
Increase (decrease) in accounts payable	22,997	(5,947)
Increase (decrease) in accrued expenses	<u>19,793</u>	<u>(12,231)</u>
Net cash provided by (used in) operating activities	<u>(117,709)</u>	<u>23,025</u>
 Cash flows from investing activities:		
Purchases of equipment	<u>(18,297)</u>	<u>(7,367)</u>
Net cash used in investing activities	<u>(18,297)</u>	<u>(7,367)</u>
 Increase (decrease) in cash and cash equivalents	(136,006)	15,658
Cash and cash equivalents at beginning of year	<u>345,227</u>	<u>329,569</u>
Cash and cash equivalents at end of year	<u>\$ 209,221</u>	<u>\$ 345,227</u>

No interest expense or income taxes were paid during the years ended December 31, 2017 or 2016.

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

Turtle Creek Manor, Inc.
dba Turtle Creek Recovery Center
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Turtle Creek Manor, Inc. dba Turtle Creek Recovery Center (the “Organization”) was incorporated in the State of Texas on May 16, 1968, under Title 32 of the Revised Civil Statutes of Texas. It was organized with the primary objective of providing a transitional environment for people with mental illness and/or histories of substance abuse. It provides residential treatment and other services in Dallas, Texas, to adults with co-occurring mental health and substance abuse disorders who are referred by state mental hospitals, the Texas Rehabilitation Commission, other government agencies and private hospitals and therapists. The clients, mostly indigent and homeless, receive individual and group counseling, substance abuse, mental health, and life skills education classes, and employment and housing assistance.

The Organization charges a fee for its programs but is also dependent upon grants and contributions for its operating funds. The activities of the Organization are governed by a Board of Directors.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, or permanently restricted net assets.

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

Support and Revenues

All contributions, including long-lived assets, are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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 is satisfied, whether by incurring expenses for the restricted purpose, by expiration of time restrictions, or by occurrence of other events specified by the donor, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions are recognized when the donor makes a promise to give to the Organization that are, in substance, unconditional.

Functional Expenses

The costs of providing programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited

Turtle Creek Manor, Inc.
dba Turtle Creek Recovery Center
Notes to Financial Statements
December 31, 2017 and 2016

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of accounts receivable for support and revenues. The Organization uses the allowance method to determine the estimated amount of uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific amounts receivable. Management determined that a reserve for uncollectible accounts receivable in the amount of \$16,840 was required at December 31, 2017 and that no reserve for uncollectible support receivable was required at December 31, 2016.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are reported at cost or fair market value of contributions. Depreciation is provided on a straight-line basis over estimated useful lives of three to thirty years. Maintenance charges are expensed as incurred. Repairs that materially extend the life of an asset are capitalized.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management use estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported revenues and support and expenses. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

Cash, receivables and accounts payable approximate their respective fair values as of December 31, 2017 and 2016, due to the short maturities of these instruments.

Turtle Creek Manor, Inc.
 dba Turtle Creek Recovery Center
 Notes to Financial Statements
 December 31, 2017 and 2016

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable which are all due within one year consists of the following at December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
United Way	\$ 30,000	\$ 30,000
Program fees	<u>131,774</u>	<u>98,525</u>
	161,774	128,525
Less: Allowance for uncollectible support receivable	<u>(16,840)</u>	<u>-</u>
	<u>\$ 161,774</u>	<u>\$ 128,525</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 65,000	\$ 65,000
Buildings and improvements	780,827	765,462
Office equipment	13,825	13,825
Computers and software	89,643	89,643
Furniture and fixtures	87,043	84,111
Vehicles	<u>50,900</u>	<u>50,900</u>
	1,087,238	1,068,941
Accumulated depreciation	<u>(964,956)</u>	<u>(942,349)</u>
	<u>\$ 122,282</u>	<u>\$ 126,592</u>

Depreciation expense totaled \$22,607 and \$23,337 for the years ended December 31, 2017 and 2016, respectively.

NOTE 4 - RESTRICTIONS ON NET ASSETS

Temporarily restricted assets consist of funds available for addiction treatment for the homeless as of December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
United Way	\$ 30,000	\$ 30,000

Turtle Creek Manor, Inc.
dba Turtle Creek Recovery Center
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 5 – LEASE OBLIGATIONS

The Organization leases certain office equipment used in its operations.

Future minimum lease payments under the equipment lease for the years ending December 31 are as follows:

2018	\$	5,014
2019		6,268
2020		-
	<u>\$</u>	<u>11,282</u>

Equipment lease expense was \$6,015 and \$6,237 for the years ended December 31, 2017 and 2016 respectively.

NOTE 6 – EMPLOYEE BENEFIT PLAN

The Organization maintains a 401(k) defined contribution plan covering all full-time employees. Eligible employees may make contributions to the plan up to statutory limits. The Organization elected not to make any matching contributions for 2017 and 2016.

NOTE 7 – ECONOMIC DEPENDENCY AND MAJOR CUSTOMERS

The Organization grants credit and provides services to clients within the Dallas, Texas area. Collection of receivables and ongoing revenue generation is dependent in part upon the economic conditions of the area. The Organization's support and revenues included program fees from one entity representing 78% of total support and revenues for the years ended December 31, 2017 and 2016. Receivables from two entities represented approximately 80% and 84% of total accounts receivable for the years ended December 31, 2017 and 2016, respectively. There are no assurances that such funding will continue to be available.

NOTE 8 – SUBSEQUENT EVENTS

The management of Turtle Creek Manor, Inc. dba Turtle Creek Recovery Center evaluated subsequent events through October 30, 2018 which is the date that the financial statements were available to be issued.



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

Independent Auditor's Report

To the Board of Directors of
Turtle Creek Manor, Inc.
dba Turtle Creek Recovery Center

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 Turtle Creek Manor, Inc. dba Turtle Creek Recovery Center, which comprise the statement of financial position as of December 31, 2017, 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 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Turtle Creek Manor, Inc. dba Turtle Creek Recovery Center'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 Turtle Creek Manor, Inc. dba Turtle Creek Recovery Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Turtle Creek Manor, Inc. dba Turtle Creek Recovery Center's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Turtle Creek Manor, Inc. dba Turtle Creek Recovery Center'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Evans & Knauth, PLLC

Frisco, Texas
October 30, 2018