SMART Recovery®

# AUDITED FINANCIAL STATEMENTS

# DECEMBER 31, 2021 AND 2020

# SMART RECOVERY USA, INC.

# INDEX

## DECEMBER 31, 2021

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

PAGE NO.

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors
SMART Recovery USA, Inc.

**Opinion**

We have audited the accompanying financial statements of the SMART Recovery, Inc., which comprise the statement of financial position as of December 31, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, on our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control matters that we identified during the audit.

**Report on Summarized Comparative Information**

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

H • J
Certified Public Accountants

Cleveland, Ohio
August 22, 2022

**SMART RECOVERY USA, INC.**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | 2021 | 2020 |
|---|---|---|---|---|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash & Cash Equivalents | $ 92,003 | $ 64,423 | $ 156,426 | $ 97,191 |
| Short-Term Investments | 288,308 | - | 288,308 | 367,259 |
| Inventory | 120,862 | - | 120,862 | 94,278 |
| Accounts Receivable | 157,946 | - | 157,946 | 11,809 |
| Prepaid Expense | 7,650 | - | 7,650 | 3,000 |
| | 666,769 | 64,423 | 731,192 | 573,537 |
| FURNITURE AND FIXTURES | 10,904 | - | 10,904 | 14,750 |
| OTHER ASSETS | | | | |
| Board Reserve Fund | 300,000 | - | 300,000 | 150,000 |
| | $ 977,673 | $ 64,423 | $ 1,042,096 | $ 738,287 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts Payable and Accrued Expenses | $ 238,094 | $ - | $ 238,094 | $ 133,927 |
| Accrued Compensation | 67,331 | - | 67,331 | 67,933 |
| Refundable Advance | - | - | - | 174,358 |
| | 305,425 | - | 305,425 | 376,218 |
| NET ASSETS | | | | |
| Without Donor Restrictions | | | | |
| Operating | 372,248 | - | 372,248 | 130,718 |
| Board-Designated Reserve | 300,000 | - | 300,000 | 150,000 |
| | 672,248 | - | 672,248 | 280,718 |
| With Donor Restricitons | - | 64,423 | 64,423 | 81,351 |
| Total Net Assets | 672,248 | 64,423 | 736,671 | 362,069 |
| Total Liabilities & Net Assets | $ 977,673 | $ 64,423 | $ 1,042,096 | $ 738,287 |

See accompanying notes.

**SMART RECOVERY USA, INC.**

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | 2021 | 2020 |
|---|---|---|---|---|
| PUBLIC SUPPORT & REVENUE | | | | |
| Bookstore Revenue | $ 787,463 | $ - | $ 787,463 | $ 596,026 |
| Government | 711,926 | - | 711,926 | 209,278 |
| Contributions and Grants | 624,324 | 46,116 | 670,440 | 561,214 |
| Distance Training | 460,956 | - | 460,956 | 353,814 |
| Corporate Sponsorships | 82,648 | - | 82,648 | 79,659 |
| Conference | 16,295 | - | 16,295 | - |
| Other Income | 8,685 | - | 8,685 | 10,770 |
| Interest Income - Bank | - | - | - | 145 |
| Net Assets Released from Restrictions | 63,044 | (63,044) | - | - |
| TOTAL PUBLIC SUPPORT AND REVENUE | 2,755,341 | (16,928) | 2,738,413 | 1,810,906 |
| EXPENSES | | | | |
| Programs | 2,047,037 | - | 2,047,037 | 1,396,641 |
| General and Administrative | 248,861 | - | 248,861 | 176,617 |
| Fundraising | 89,208 | - | 89,208 | 109,637 |
| TOTAL EXPENSES | 2,385,106 | - | 2,385,106 | 1,682,895 |
| CHANGE IN NET ASSETS FROM OPERATIONS | 370,235 | (16,928) | 353,307 | 128,011 |
| INVESTMENT INCOME | 21,295 | - | 21,295 | 21,162 |
| CHANGE IN NET ASSETS | 391,530 | (16,928) | 374,602 | 149,173 |
| NET ASSETS - Beginning of Year | 280,718 | 81,351 | 362,069 | 212,896 |
| NET ASSETS - End of Year | $ 672,248 | $ 64,423 | $ 736,671 | $ 362,069 |

See accompanying notes.

**SMART RECOVERY USA, INC.**

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

| | PROGRAMS | GENERAL & ADMINISTRATIVE | FUNDRAISING | 2021 | 2020 |
|---|---|---|---|---|---|
| Compensation | $ 669,773 | $ 122,315 | $ 26,250 | $ 818,338 | $ 574,096 |
| Payroll Taxes | 55,095 | 10,062 | 2,159 | 67,316 | 47,138 |
| Fringe Benefits | 24,360 | 4,449 | 954 | 29,763 | 29,623 |
| | 749,228 | 136,826 | 29,363 | 915,417 | 650,857 |
| Distance Learning | 541,477 | - | - | 541,477 | 248,480 |
| Cost of Merchandise Sold | 388,696 | - | - | 388,696 | 294,492 |
| Marketing and Communications | 134,196 | - | - | 134,196 | 178,841 |
| Office Expense | 66,086 | 14,161 | 14,161 | 94,408 | 66,954 |
| Payment Processing Fees | - | 71,608 | - | 71,608 | 53,517 |
| Onsite Training | 63,075 | - | - | 63,075 | 20,548 |
| Fundraising Expense | - | - | 39,800 | 39,800 | 65,382 |
| Office Rent | 22,685 | 2,669 | 1,334 | 26,688 | 33,057 |
| Professional Fees | 4,500 | 17,031 | 1,930 | 23,461 | 10,271 |
| Conference and Meetings | 20,197 | - | - | 20,197 | 10,060 |
| Training and Development | 18,964 | - | - | 18,964 | 7,054 |
| Telecommunication | 11,001 | 2,429 | 2,428 | 15,858 | 10,372 |
| SMART Recovery International-Related | 8,378 | - | - | 8,378 | 10,337 |
| Travel and Entertainment | 6,759 | - | - | 6,759 | 3,678 |
| Insurance | 4,403 | 2,133 | - | 6,536 | 6,450 |
| Equipment Rental and Maintenance | 2,578 | - | - | 2,578 | 2,028 |
| Bank and Finance Charges | - | 1,619 | - | 1,619 | 998 |
| Bad Debt | 1,230 | | | 1,230 | - |
| Interest Expense | 314 | - | - | 314 | 887 |
| Donations | - | - | - | - | 6,000 |
| Depreciation | 3,270 | 385 | 192 | 3,847 | 2,632 |
| Total Expenses | $ 2,047,037 | $ 248,861 | $ 89,208 | $ 2,385,106 | $ 1,682,895 |

See accompanying notes.

**SMART RECOVERY USA, INC.**

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

| | 2021 | 2020 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in Net Assets | $ 374,602 | $ 149,173 |
| Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities: | | |
| Depreciation | 3,846 | 2,632 |
| Reinvested Realized Income | (15,646) | (4,924) |
| Unrealized Gain | (15,403) | (16,238) |
| PPP Forgivenenss | (174,358) | - |
| Changes in Operating Assets and Liabilities which Provided (Used) Cash: | | |
| Receivables | (146,137) | 19,411 |
| Prepaid Expense | (4,650) | - |
| Inventory | (26,584) | (23,394) |
| Accounts Payable and Accrued Expenses | 104,167 | (34,476) |
| Accrued Compensation | (602) | 311 |
| Refundable Advance - PPP | - | 174,358 |
| Total Adjustments | (275,367) | 117,680 |
| Cash Provided by Operating Activities | 99,235 | 266,853 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Sale of Investments | 285,000 | 50,209 |
| Purchase of Investments | (325,000) | (321,421) |
| Cash Used by Investing Activities | (40,000) | (271,212) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from Line of Credit | - | 9,218 |
| Payments on Line of Credit | - | (32,836) |
| Cash Used by Financing Activities | - | (23,618) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 59,235 | (27,977) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 97,191 | 125,168 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ 156,426 | $ 97,191 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash Paid during the Year for Interest | $ 314 | $ 887 |

See accompanying notes.

**SMART RECOVERY USA, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

## 1. NATURE OF OPERATIONS AND MISSION STATEMENT

SMART Recovery USA, Inc. ("the Organization") is an international nonprofit organization incorporated in the State of Maryland in 1994 and is located in Mentor, Ohio. The primary purpose of the Organization is to provide assistance to individuals seeking abstinence from addictive behaviors. The approach is secular and science-based using non-confrontational motivational, behavioral, and cognitive methods. Meeting participants learn recovery methods derived from evidence-based addiction treatments.

The Organization is a recognized resource for substance abuse and addiction recovery by the American Academy of Family Physicians, the Center for Health Care Evaluations, the National Institute on Drug Abuse (NIDA), US Department of Health and Human Services, and the American Society of Addiction Medicine.

The mission of the Organization is to empower people to achieve independence from addictive substances or behaviors through a science-based proprietary 4-point cognitive behavior therapy program. SMART Family & Friends meetings help people manage the significant stress from having a loved one with addiction problems and learn non-confrontational and loving measures to help folks get needed treatment.

The Organization's major programs and services are as follows:

The SMART Recovery 4-Point Program® helps people recover from all types of addiction and addictive behaviors, including: drug abuse, drug addiction, substance abuse, alcohol abuse, gambling addiction, cocaine addiction, prescription drug abuse, sexual addiction, and problem addiction to other substances and activities. SMART Recovery sponsors face-to-face meetings around the world, daily online meetings, an online message board and 24/7 chat room.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements of the Organization have been prepared on the accrual basis and include the assets, liabilities and financial activities of all program services of the Organization. In accordance with U.S. generally accepted accounting principles, the financial statements report the changes in and totals of each net asset class based on the existence of donor restrictions. Net assets are classified as without donor restrictions or with donor restrictions as described below:

Net assets without donor restrictions: Net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives that the Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

SUMMARIZED FINANCIAL INFORMATION

The financial statements and notes to financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Certain amounts in the prior-year summarized comparative information have been reclassified to be consistent with the presentation in the current-year financial statements. These classifications had no impact on changes in net assets as previously presented.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**SMART RECOVERY USA, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

CASH AND CASH EQUIVALENTS/CONCENTRATION OF RISK

Cash equivalents are highly liquid investments with an original maturity of three months or less at the date of purchase. Because of the short maturity of these financial instruments, the carrying value approximates the fair value.

Cash accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 for all combined deposits at the same bank. At times during the year, cash balances may exceed the related amount of federal depository insurance. The Organization maintains its cash with high-quality financial institutions which the Organization believes limit these risks.

The Organization receives a significant portion of its support from contracts with a State of Ohio government agency. Total awards received from this government agency amounted to $755,176 (2021) and $209,278 (2020 - including $151,778 of COVID-related nonrecurring assistance).

RECEIVABLES AND CREDIT POLICIES

Receivables are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance amount is $-0- at December 31, 2021 and 2020.

INVESTMENTS

Investments with readily determinable fair values are measured at fair value in the statements of financial position. Interest, dividends, realized and unrealized gains and losses on investments, net of fees, are recorded as investment return in the statements of activities and changes in net assets. Realized gains and losses are determined on a specific identification basis. Realized and unrealized gains and losses, interest, and dividends on investments are recorded as net assets without donor restriction unless such amounts are restricted by the donor or by law. Investments received as gifts are recorded at the estimated fair value at the date of the gift. Investments are classified based on their original maturities. Investments with original maturities of less than 12 months are classified as short-term investments.

FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

**SMART RECOVERY USA, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

INVENTORY

The Organization maintains an inventory of books, videos, manuals and other mission-related products. Inventory is valued at the lower of cost or market.

PROPERTY AND EQUIPMENT

Property and equipment purchased by the Organization are carried at cost. The Organization primarily follows the straight-line method of depreciation utilizing lives ranging from 5 to 30 years. Expenditures for maintenance and repairs are charged to expense on the Statement of Activities. The cost and related accumulated depreciation of properties sold or otherwise disposed of are removed from the accounts and any gain or loss is reflected in the current year's Statement of Activities.

The Organization's fixed assets comprise of $18,417 of furniture and fixtures with accumulated depreciation in the amount of $7,513.

DEFERRED REVENUE

Deferred revenue consists of corporate website sponsorships received in advance of the ensuing period when earned.

REVENUE AND REVENUE RECOGNITION

Unconditional donor promises to give are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by the Organization. The gifts are reported as either net assets without donor restriction or net assets with donor restriction if they are received with donor stipulations that sufficiently limit the use of the donated assets. When a donor restriction expires, through the passage of time or when the purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and are reported on the statement of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restriction; otherwise, the contributions are recorded as net assets without donor restriction. The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Contributed income of cash or other assets that must be used to acquire long-lived assets are recorded as contributions with donor restrictions and grants until the assets are acquired and placed in service.

Gains and losses on investments are reported as increases or decreases to net assets without donor restrictions unless their use is restricted by donor-imposed stipulation or by state law.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Earned revenue is recognized as services are provided. Other income is recognized as it is earned.

The Organization recognizes merchandise revenue when the customer pays and the merchandise is shipped.

The Organization recognizes in-kind services in accordance with applicable accounting standards if the services received (a) create or enhance non-financial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In addition, the Organization receives services from volunteers who give significant amounts of their time to The Organization's programs, fundraising campaigns, and management. No amounts have been reflected for these types of donated services as they do not meet the criteria for recognition.

**SMART RECOVERY USA, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses reflects the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation of the amount the programs and supporting services benefited. Management believes their allocations are done on a reasonable and consistent basis. Most personnel costs, office expenses, professional services, and other expenses are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done on the basis of estimates of time and effort.

ADVERTISING

Advertising costs are expensed as incurred.

INCOME TAX STATUS

The Organization is incorporated as a not-for-profit that is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is not considered a private foundation under Section 509(a)(1). The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

The Organization’s policy is to record a liability for any tax position taken that is beneficial to the Organization, including penalties and interest, when it is more likely than not the position taken will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2021 and, accordingly, no liability has been accrued.

ACCOUNTING GUIDANCE PENDING ADOPTION

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* This ASU requires that a lease liability and related right-of-use-asset representing the lessee’s right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

## 3. INVESTMENTS

Investments at December 31 consist of the following:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Market | Cost | Market | Cost |
| Cash Equivalents | $ 300,019 | $ 300,019 | $ 276,348 | $ 276,348 |
| Mutual Funds: | | | | |
| Equities | 126,702 | 127,485 | 90,187 | 56,247 |
| Bonds | 161,587 | 159,312 | 142,274 | 133,094 |
| Other | - | - | 8,450 | - |
| | $ 588,308 | $ 586,816 | $ 517,259 | $ 465,689 |

Investment income for 2021 and 2020 consists the following:

| | 2021 | 2020 |
|---|---|---|
| Unrealized Gain | $ 15,402 | $ 16,238 |
| Realized Income | 5,893 | 4,924 |
| | $ 21,295 | $ 21,162 |

**SMART RECOVERY USA, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

## 4. FAIR VALUE MEASUREMENT

The fair value of investment assets, measured on a recurring basis at December 31 are as follows:

| | Fair Value Measurements Using: | | | |
|---|---|---|---|---|
| 2021 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Mutual Funds/Cash | $ 588,308 | $ - | $ - | $ 588,308 |
| Board Reserve Fund | (300,000) | - | - | (300,000) |
| Short-Term Investments | $ 288,308 | $ - | $ - | $ 288,308 |
| **2020** | | | | |
| Mutual Funds/Cash | $ 517,259 | $ - | $ - | $ 517,259 |
| Board Reserve Fund | (150,000) | - | - | (150,000) |
| Short-Term Investments | $ 367,259 | $ - | $ - | $ 367,259 |

## 5. REFUNDABLE ADVANCE - PPP

In April 2021, the Organization received proceeds in the amount of $174,358 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides qualifying businesses amounts up to 2.5 times of their average monthly payroll expenses. The Organization is accounting for this grant as a conditional contribution under FASB ASC 958-605 and therefore has reflected the proceeds as a refundable advance on the Statement of Financial Position.

In 2021, the Organization incurred qualifying expenditures that derecognized whereby the liability was recognized as grant revenue.

## 6. LINE OF CREDIT

The Organization maintains a $100,000 line of credit, secured by all of the Organization's assets, with interest applied at the bank's prime rate plus 1.68% (effective rate is 4.93% at December 31, 2021).

There was no outstanding balance on the line at December 31, 2021 and 2020.

## 7. NET ASSETS – BOARD-DESIGNATED

In December 2016, the Organization's board of directors approved a "Reserve Fund" to create asset balances to allow for shortfalls from economic fluctuations, single or multi-year project opportunities, or capital expenditures. All withdrawals from the account require Board approval. Interest, realized gains and earnings from investments accrue to operations. All investment fees/expenses and fund-related investment losses, to the extent of cumulative board-designations, are borne by operating assets. The Reserve Fund is not intended to be an endowment-type fund. In October 2021, the board approved an increase to the reserve of $150,000 resulting in a balance of $300,000 at December 31, 2021.

**SMART RECOVERY USA, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

## 8. NET ASSETS – WITH DONOR RESTRICTIONS

At December 31, net assets with donor restrictions were as follows:

| | 2021 | | | |
|---|---|---|---|---|
| PURPOSE | BEGINNING NET ASSETS WITH DONOR RESTRICTIONS | CONTRIBUTIONS | NET ASSETS RELEASED FROM RESTRICTION | ENDING NET ASSETS WITH DONOR RESTRICTIONS |
| Telehealth | $ 40,000 | $ - | $ (32,572) | $ 7,428 |
| Technology and Fundraising | 40,351 | - | (27,596) | 12,755 |
| Local Programming/Materials | 1,000 | 8,616 | (990) | 8,626 |
| Rural Recovery Services | - | 37,500 | (1,886) | 35,614 |
| | $ 81,351 | $ 46,116 | $ (63,044) | $ 64,423 |

| | 2020 | | | |
|---|---|---|---|---|
| PURPOSE | BEGINNING NET ASSETS WITH DONOR RESTRICTIONS | CONTRIBUTIONS | NET ASSETS RELEASED FROM RESTRICTION | ENDING NET ASSETS WITH DONOR RESTRICTIONS |
| Telehealth | $ - | $ 40,000 | $ - | $ 40,000 |
| Technology | - | 50,000 | (9,649) | 40,351 |
| Local Programming | - | 1,000 | - | 1,000 |
| Donor Management Software | 15,132 | - | (15,132) | - |
| New Office-Related | 9,600 | - | (9,600) | - |
| | $ 24,732 | $ 91,000 | $ (34,381) | $ 81,351 |

## 9. NET ASSETS – BOARD-DESIGNATED

In December 2016, the Organization's board of directors approved a "Reserve Fund" to create asset balances to allow for shortfalls from economic fluctuations, single or multi-year project opportunities, or capital expenditures. All withdrawals from the account require Board approval. Interest, realized gains and earnings from investments accrue to operations. All investment fees/expenses and fund-related investment losses, to the extent of cumulative board-designations, are borne by operating assets. The Reserve Fund is not intended to be an endowment-type fund. In October 2021, the board approved an increase to the reserve of $150,000 resulting in a balance of $300,000 at December 31, 2021.

## 10. COMMITMENTS

In December 2020, the Organization entered into a new lease for its office space in Mentor, Ohio. Lease terms call for monthly rent of $2,000 through July 31, 2021, and $2,325 thereafter. Utility costs are included in the lease payment. The Organization also leases office equipment. Total minimum annual lease payments amount to the following.

| | |
|---|---|
| 2022 | $ 29,928 |
| 2023 | 29,928 |
| 2024 | 169 |
| | $ 60,025 |

Rent expense amounted to approximately $33,000 in 2021 and 2020.

**SMART RECOVERY USA, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

## 10. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

| | 2021 | 2020 |
|---|---|---|
| Financial Assets at Year-End: | | |
| Cash & Cash Equivalents | $ 156,426 | $ 97,191 |
| Accounts Receivable | 157,946 | 11,809 |
| Investments | 588,308 | 517,259 |
| Total Financial Assets | 902,680 | 626,259 |
| Less Amounts not Available to be Used Within One Year: | | |
| Net Assets with Donor Restrictions - Cash | (64,423) | (81,351) |
| Designated by the Board for Various Reserves | (300,000) | (150,000) |
| | (364,423) | (231,351) |
| Financial Assets Available to meet General Expenditures Over the Next Twelve Months | $ 538,257 | $ 394,908 |

The Organization keeps cash and cash equivalents on hand at the level needed to satisfy its financial obligations as they are due. As part of the Organization's liquidity management plan, it invests cash in excess of daily requirements in mutual funds.

## 12. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 22, 2022, the date the financial statements were available to be issued.