



Financial Statements

December 31, 2023 and 2022

Cohen & Co

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SMART RECOVERY USA, INC.  
DECEMBER 31, 2023 AND 2022

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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 SMART Recovery USA, Inc., which comprise the statement of financial position as of December 31, 2023, 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, 2023, 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 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.

### ***Prior Period Financial Statements***

The financial statements of SMART Recovery USA, Inc., as of December 31, 2022, were audited by other auditors whose report dated August 2, 2023, expressed an unmodified opinion on those statements.

### ***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.

*Cohen & Company Ltd.*

Cleveland, Ohio  
August 30, 2024

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 183,349	\$ 102,945
Accounts and grants receivable	21,170	15,553
Inventory	135,147	83,126
Prepaid expenses	11,138	-
	<u>350,804</u>	<u>201,624</u>
PROPERTY AND EQUIPMENT - AT COST		
Furniture and fixtures	3,325	18,417
Less: Accumulated depreciation	(2,098)	(8,928)
	<u>1,227</u>	<u>9,489</u>
OTHER ASSETS		
Investments	326,683	295,977
Intangible assets - Net	260,575	-
Operating lease right-of-use asset	78,798	102,503
	<u>666,056</u>	<u>398,480</u>
	<u>\$ 1,018,087</u>	<u>\$ 609,593</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ -	\$ 6,000
Accounts payable and accrued expenses	221,168	201,189
Accrued compensation	19,053	23,569
Deferred revenue	3,639	10,833
Current portion of operating lease liability	16,436	20,287
	<u>260,296</u>	<u>261,878</u>
OPERATING LEASE LIABILITY	<u>53,307</u>	<u>64,917</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Undesignated	359,029	(84,427)
Board designated for future operations	300,000	300,000
	<u>659,029</u>	<u>215,573</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>45,455</u>	<u>67,225</u>
	<u>704,484</u>	<u>282,798</u>
	<u>\$ 1,018,087</u>	<u>\$ 609,593</u>

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

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Bookstore program revenue	\$ 1,065,095	\$ -	\$ 1,065,095
Contributions and grants	986,042	26,500	1,012,542
Training program revenue	462,164	-	462,164
Partner program revenue	9,500	-	9,500
Corporate sponsorships	42,304	-	42,304
Other income	9,556	-	9,556
Investment income	30,706	-	30,706
Donated services	125,000	-	125,000
Loss on disposal of property and equipment	(5,570)	-	(5,570)
Net assets released from restrictions	48,270	(48,270)	-
	<u>2,773,067</u>	<u>(21,770)</u>	<u>2,751,297</u>
<b>EXPENSES</b>			
Program services	1,883,623	-	1,883,623
General and administrative	292,108	-	292,108
Fundraising	153,880	-	153,880
	<u>2,329,611</u>	<u>-</u>	<u>2,329,611</u>
<b>CHANGE IN NET ASSETS</b>	443,456	(21,770)	421,686
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>215,573</u>	<u>67,225</u>	<u>282,798</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 659,029</u>	<u>\$ 45,455</u>	<u>\$ 704,484</u>

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

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Bookstore program revenue	\$ 728,221	\$ -	\$ 728,221
Contributions and grants	910,198	81,656	991,854
Training program revenue	455,289	-	455,289
Corporate sponsorships	58,883	-	58,883
Other income	31,067	-	31,067
Investment loss	(33,331)	-	(33,331)
Net assets released from restrictions	78,854	(78,854)	-
	<u>2,229,181</u>	<u>2,802</u>	<u>2,231,983</u>
EXPENSES			
Program services	2,092,403	-	2,092,403
General and administrative	362,365	-	362,365
Fundraising	231,088	-	231,088
	<u>2,685,856</u>	<u>-</u>	<u>2,685,856</u>
CHANGE IN NET ASSETS	(456,675)	2,802	(453,873)
NET ASSETS - BEGINNING OF YEAR	<u>672,248</u>	<u>64,423</u>	<u>736,671</u>
NET ASSETS - END OF YEAR	<u>\$ 215,573</u>	<u>\$ 67,225</u>	<u>\$ 282,798</u>

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

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	Program Services	General and Administrative	Fundraising	Total
Compensation	\$ 626,100	\$ 109,118	\$ 40,305	\$ 775,523
Payroll taxes	52,629	11,366	3,190	67,185
Fringe benefits	12,126	29,853	806	42,785
	<u>690,855</u>	<u>150,337</u>	<u>44,301</u>	<u>885,493</u>
Cost of merchandise sold	518,503	-	-	518,503
Contracted IT services	243,006	2,876	-	245,882
IT operations expense	124,004	1,053	-	125,057
Training program expenses	75,733	-	-	75,733
Advertising and promotional expenses	70,417	-	-	70,417
Fundraising expense	-	-	69,880	69,880
Other contracted services	35,625	38,724	-	74,349
Office expense	9,439	20,023	18,603	48,065
Payment processing fees	42,904	-	3,608	46,512
Other operating expenses	15,016	28,561	-	43,577
Rent	19,343	22,776	-	42,119
Conference and meetings	28,983	300	-	29,283
Depreciation and amortization	-	22,397	-	22,397
State taxes and registration fees	-	5,061	16,138	21,199
Designated expenses	9,795	-	1,350	11,145
	<u>\$ 1,883,623</u>	<u>\$ 292,108</u>	<u>\$ 153,880</u>	<u>\$ 2,329,611</u>

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

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services	General and Administrative	Fundraising	Total
Compensation	\$ 740,746	\$ 190,240	\$ 46,282	\$ 977,268
Payroll taxes	63,445	16,294	3,964	83,703
Fringe benefits	26,834	6,892	1,676	35,402
	<u>831,025</u>	<u>213,426</u>	<u>51,922</u>	<u>1,096,373</u>
Cost of merchandise sold	369,166	-	-	369,166
Contracted IT services	200,926	23,638	11,819	236,383
Marketing contracted services	162,704	-	-	162,704
Other contracted services	93,804	38,005	-	131,809
IT operations expense	126,772	14,914	7,458	149,144
Fundraising expense	-	-	141,124	141,124
Office expense	67,015	13,557	13,457	94,029
Training program expenses	73,754	-	-	73,754
Rent	43,706	2,213	1,107	47,026
Payment processing fees	-	46,360	-	46,360
Other operating expenses	40,347	6,017	1,978	48,342
Program technology	34,195	4,023	2,011	40,229
Lobbying and advocacy	22,932	-	-	22,932
Conference and meetings	12,680	-	-	12,680
Designated expenses	12,064	-	-	12,064
Depreciation expense	991	212	212	1,415
Bad debt	322	-	-	322
	<u>\$ 2,092,403</u>	<u>\$ 362,365</u>	<u>\$ 231,088</u>	<u>\$ 2,685,856</u>

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

## STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOW PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ 421,686	\$ (453,873)
Noncash items included in operations:		
Depreciation and amortization	22,397	1,415
Unrealized (gains) losses on investments	(20,704)	40,902
Realized gains on investments	-	(7,571)
Loss on disposal of property and equipment	5,570	-
Donated services capitalized to intangible assets	(125,000)	
Operating lease expense	23,705	10,891
(Increase) decrease in cash caused by changes in current items:		
Accounts and grants receivable	(5,617)	142,393
Inventory	(52,021)	37,736
Prepaid expenses	(11,138)	7,650
Accounts payable and accrued expenses	19,979	(36,905)
Accrued compensation	(4,516)	(43,762)
Deferred revenue	(7,194)	10,833
Operating lease liability	(15,461)	(17,299)
Net cash flow provided from (used in) operating activities	<u>251,686</u>	<u>(307,590)</u>
CASH FLOW (USED IN) PROVIDED FROM INVESTING ACTIVITIES		
Purchases of investments	(10,002)	334,000
Sale of investments	-	(85,891)
Purchases of intangible assets	(155,280)	-
	<u>(165,282)</u>	<u>248,109</u>
CASH FLOW (USED IN) PROVIDED FROM FINANCING ACTIVITY		
Net borrowings (repayments) on line of credit	<u>(6,000)</u>	<u>6,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	80,404	(53,481)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>102,945</u>	<u>156,426</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 183,349</u>	<u>\$ 102,945</u>
SUPPLEMENTAL FINANCIAL INFORMATION		
Interest paid	<u>\$ 621</u>	<u>\$ 3,922</u>
Cash paid for amount included in the measurement of lease liability		
Operating cash flows from operating leases	<u>\$ 23,385</u>	<u>\$ 120,822</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

## 1. NATURE OF BUSINESS

SMART Recovery USA, Inc. ("the Organization") is a nonprofit organization incorporated in the State of Maryland in 1992 and is located in Mentor, Ohio. The Organization's mission is to improve the health and well-being of individuals, families, and communities with their self-empowering, science-informed approach for problematic addictive behaviors. The Organization offers training and support to over 1,000 volunteer-led in-person and online mutual support group meetings across the United States and Canada. The Organization also partners with and trains treatment professionals who build SMART Recovery tools and techniques into their work with their clients. In addition, the Organization pays licensing fees to SMART Recovery International on an annual basis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash equivalents include cash in banks and highly liquid investments with an original maturity of three months or less at the time of purchase. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization maintains cash and cash equivalents at various financial institutions which may exceed federally insured amounts at various times.

Adoption of New Accounting Standard - Allowance for Credit Losses

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (FASB Accounting Standards Codification [ASC] 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 are trade accounts receivable.

The Organization adopted the standard effective January 1, 2023, for the calendar year end. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

Accounts Receivable and Allowance for Credit Losses

The Organization's accounts receivable are primarily derived from trainings provided. Since the Organization's trade receivables are largely similar, the Organization evaluates its allowance for credit losses as one portfolio segment. Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The Organization does not charge interest on unpaid accounts receivable balances. Accounts receivable are stated at amounts billed to the customer.

## NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Allowance for Credit Losses (continued)

At each balance sheet date, the Organization recognizes an expected allowance for credit losses with respect to accounts receivable. This estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. The estimate is calculated on a pooled basis where similar risk characteristics exist. Accounts receivable are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible.

The allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Organization's portfolio segment has remained consistent since the Organization's inception.

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or as an offset to credit loss expense in the year of recovery, in accordance with the Organization's accounting policy election. The total amount of write-offs was immaterial to the financial statements as a whole for the year ended December 31, 2023.

Prior to the adoption of ASC 326, the carrying amount of accounts receivable was reduced by a valuation allowance that reflected management's best estimate of the amounts that would not be collected. Management individually reviewed all overdue accounts receivable and based on an assessment of current creditworthiness, estimated the portion, if any, of the balance that would not be collected. Additionally, management estimated an allowance for the aggregate remaining accounts receivable based on historical collectibility. Balances that were still outstanding after management had used reasonable efforts to collect were written off through a charge to the valuation allowance and a credit to accounts receivable.

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, with cost determined on the first-in, first-out (FIFO) method.

Investments

Investments are carried at fair value and consist of marketable debt and equity securities. Investments in securities with readily determinable fair values are reported at quoted market prices. Realized and unrealized gains or losses are reflected in the statement of activities.

## NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment consist of furniture and equipment purchased by the Organization and are carried at cost. Acquisitions in excess of \$1,000 are capitalized while maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. The Organization primarily follows the straight-line method of depreciation utilizing lives of 7 years.

Intangible Assets

Intangible assets consist of the development of an app designed to help people overcome addictive behaviors and development of a website to promote the Organization and its purpose. Costs associated with the development, programming, and creation of the app and website are capitalized. These assets are amortized over four years. The costs to maintain and update the app and website on an annual basis are expensed as incurred.

Revenue Recognition*Revenue from Exchange Transactions*

The Organization's revenue from exchange transactions primarily results from the Organization's training programs and the sale of bookstore products. The Organization recognizes revenue when the Organization satisfies its performance obligation under the contract by transferring the promised product or service to the customer when the customer obtains control of the product or service. For bookstore and training materials, this generally happens at point of shipment. In relation to services provided by the Organization, revenue is recognized at a point of time when the services are performed. The Organization's contracts primarily consist of a single performance obligation. The accompanying statement of activities shows those disaggregated revenue streams for the years ended December 31, 2023 and 2022. Accounts receivable from exchange transactions are included in accounts and grants receivable on the statement of financial position.

Accounts receivable from contracts with customers amounted to approximately \$15,000 at December 31, 2023 and 2022, respectively and approximately \$158,000 at January 1, 2022.

*Contribution Revenue*

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 measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

## NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)Contribution Revenue (continued)

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of \$545,657 that were not recognized at December 31, 2022, because qualifying expenditures had not yet been incurred. Grantors may, at their discretion, request reimbursement for unallowed expenses as a result of noncompliance by the Organization with the terms of the grant. On certain grants, if advances exceed eligible costs, the funds must be returned to the grantor. No funds were required to be returned during 2023 or 2022.

A portion of the Organization's revenue is derived from unit of service grants in which the amount to be paid by the grantor is determined by a formula based on units of service provided by the Organization. A maximum amount to be paid over the course of the grant is specified. Units-of-service grants are recognized as revenue and receivables as the services are rendered using the agreed upon rate per unit that are billed in compliance with specific contract or grant provisions.

All donor-restricted support that was initially a conditional contribution and for which the donor-imposed conditions and restrictions are met in the same reporting period are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization has applied for but not received Employee Retention Credits (ERC) under the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) and Consolidated Appropriations Act (CAA). Based on the Organization's ERC assessment, the Organization is eligible for a payroll tax credit of \$55,981 as of December 31, 2023, for qualified wages during 2020. The Organization has not yet met the conditions in order to recognize the funding at December 31, 2023, and therefore no amounts have been recorded in the accompanying financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Risk

A substantial portion of the Organization's revenue is received from a certain funding source. During 2023 and 2022, 21% and 20% of total revenue, respectively, was received from the Ohio Department of Mental Health Addiction Services.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs, such as personnel, facility, professional and legal, travel and meeting expenses, office and other expenses have been allocated among programs, management and general, and fundraising services benefited. Such allocations are determined by management based on estimated time and effort.

Advertising

Advertising costs are expensed as incurred.

Leases

The Organization determines if an arrangement is, or contains, a lease at the inception date. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Right-of-use (ROU) asset represents the right to use an underlying asset for the lease term and lease liability represents the obligation to make lease payments arising from the lease. Operating lease ROU asset and lease liability are recognized at the commencement date based primarily on the present value of lease payments over the lease term. In determining the discount rate used to measure the ROU asset and lease liability, the Organization has elected to use a risk-free rate for all classes of assets. The risk-free rate used is the U.S. Treasury Bill Rate in effect at the commencement of the lease for a similar term. The operating lease ROU asset also includes any lease payments made at commencement and exclude lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (continued)

The Organization elected the practical expedient to account for lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. Payments for non-lease components, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred. Variable lease expense is immaterial for 2023 and 2022.

Foreign Currency Transactions

Foreign currency transaction gains or losses resulting from exchange rate fluctuations on transactions denominated in a currency other than the U.S. dollar are included in expenses. Foreign currency transactions are immaterial to the financial statements.

Accounting Estimates

Management uses estimates and assumptions in preparing its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Donated Services

Donated professional services are recorded at fair value on the date of contribution and are included in the statement of activities. For the year ended December 31, 2023, the Organization received \$125,000 in donated website development costs from SMART Recovery International.

Income Tax Status

The Organization is a non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization recognizes and discloses uncertain tax positions in accordance with GAAP. As of and for the years ended December 31, 2023 and 2022, the Organization did not have a liability for unrecognized tax benefits.

## NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through August 30, 2024, the date the financial statements were available to be issued.

## 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's financial assets available to meet cash needs for general expenditures within one year were as follows at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 183,349	\$ 102,945
Accounts and grants receivable	21,170	15,553
Investments	<u>326,683</u>	<u>295,977</u>
Total financial assets available to meet cash needs for for general expenditures within one year	<u>\$ 531,202</u>	<u>\$ 414,475</u>

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 money market and mutual funds (see Note 4). The Organization also has a committed line of credit in the amount of \$100,000 to help manage unanticipated cash flow needs (see Note 5).

## 4. INTANGIBLE ASSETS - NET

The cost of app and website development costs at December 31, 2023, were \$155,280 and \$125,000, respectively. Accumulated amortization and amortization expense for the app and website development costs as of and for the year ended December 31, 2023, were \$17,101 and \$2,604, respectively.

Future annual amortization expense of intangible assets is as follows:

<u>For Years Ending December 31,</u>	<u>Amount</u>
2024	\$ 70,070
2025	70,070
2026	70,070
2027	<u>50,365</u>
	<u>\$ 260,575</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 5. INVESTMENTS

The various inputs that may be used to determine the fair value of the Organization's assets and liabilities are summarized in three broad levels:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Significant unobservable inputs.

Assets measured at fair value are comprised of the following at December 31, 2023:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 64,291	\$ -	\$ -	\$ 64,291
Mutual funds:				
Equities	152,206	-	-	152,206
Bonds	110,258	-	-	110,258
	<u>\$ 326,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326,683</u>

Assets measured at fair value are comprised of the following at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 43,497	\$ -	\$ -	\$ 43,497
Mutual funds:				
Equities	99,010	-	-	99,010
Bonds	142,489	-	-	142,489
Other	10,981	-	-	10,981
	<u>\$ 295,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295,977</u>

The Organization did not hold any Level 2 or Level 3 assets during 2023 or 2022. Mutual funds and money market funds are valued at the daily closing price as reported by the fund.

## 6. LINE OF CREDIT

The Organization maintains a \$100,000 line of credit, with no specified repayment terms and is due on demand. Outstanding borrowings bear interest at the bank's prime rate (8.50% and 7.50% at December 31, 2023 and 2022, respectively) plus 1.68%. Borrowings are collateralized by all of the Organization's assets. There was no balance outstanding on the line of credit at December 31, 2023. There was \$6,000 outstanding on the line at December 31, 2022.

## NOTES TO THE FINANCIAL STATEMENTS

## 7. NET ASSETS - WITH DONOR RESTRICTIONS

At December 31, 2023 and 2022, net assets with donor restrictions were as follows:

	<u>2023</u>	<u>2022</u>
Spanish program development	\$ 24,408	\$ 45,150
Local programming	8,758	14,628
Technology and fundraising	5,842	-
Memorial lectureships	<u>6,447</u>	<u>7,447</u>
	<u>\$ 45,455</u>	<u>\$ 67,225</u>

## 8. LEASES

The Organization has a lease arrangement on a suite in an office building.

For the years ended December 31, 2023 and 2022, operating lease expense was approximately \$23,000 and \$28,000, respectively.

The remaining lease term and discount rate related to the Organization's lease liability as of December 31, 2023, was 4 years and 3.88%. The remaining lease term and discount rate related to the Organization's lease liability as of December 31, 2022, was 5 years and 3.88%.

At December 31, 2023, future minimum lease payments under non-cancellable leases are as follows:

2024	\$ 18,852
2025	18,852
2026	18,852
2027	<u>18,852</u>
Total undiscounted cash flows	75,408
Less: Present value discount	<u>(5,665)</u>
Total lease liability	<u>\$ 69,743</u>

## 9. CONTINGENCIES

Litigation

In the ordinary course of business, the Organization is subject to, or party to, pending or threatened litigation, assessments, and claims. While it is not possible to predict with certainty the outcome of such matters individually or in the aggregate, management believes that the ultimate result will not have a material adverse effect on the financial position or results of operations of the Organization.