

Palmer Drug Abuse Program-Houston, Inc.
(a nonprofit organization)

FINANCIAL STATEMENTS

December 31, 2016

Palmer Drug Abuse Program-Houston, Inc.

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Ronald H. Tribolet, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Palmer Drug Abuse Program-Houston, Inc.

We have audited the accompanying financial statements of Palmer Drug Abuse Program-Houston, Inc. (a Non-profit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Palmer Drug Abuse Program-Houston, Inc. as of December 31, 2016, and the changes in the net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

R. H. Tribolet CPA, PLLC

Humble, Texas
March 27, 2017

PALMER DRUG ABUSE PROGRAM-HOUSTON, INC.
(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
December 31, 2016

ASSETS

Current Assets	
Cash and cash equivalents	\$ 512,340
Prepaid expenses	7,042
Total Current Assets	<u>519,382</u>
Property and Equipment	
Furniture and equipment	7,592
Building	208,664
Total property and equipment	<u>216,256</u>
Accumulated depreciation	<u>(24,949)</u>
Net Property and Equipment	<u>191,307</u>
Total Assets	<u><u>\$ 710,689</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accrued expenses	\$ 10,210
Total Liabilities	<u>\$ 10,210</u>
Net Assets	
Unrestricted	700,479
Temporarily restricted	-
	<u>700,479</u>
Total Liabilities and Net Assets	<u><u>\$ 710,689</u></u>

PALMER DRUG ABUSE PROGRAM-HOUSTON, INC.
(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND INCOME			
Contributions	\$ 400,304	\$ -	\$ 400,304
Special events, net	232,202	-	232,202
Program activities income	18,405	-	18,405
Interest and investment income	852	-	852
	<hr/>	<hr/>	<hr/>
Total Support and Income	651,763	-	651,763
Net assets released from restrictions	<hr/>	<hr/>	<hr/>
	-	-	-
	<hr/>	<hr/>	<hr/>
Total Support and Income	651,763	-	651,763
	<hr/>	<hr/>	<hr/>
PROGRAM AND SUPPORTING SERVICES			
Program services	556,773	-	556,773
Management and general services	112,029	-	112,029
Fundraising expenses	76,096	-	76,096
	<hr/>	<hr/>	<hr/>
Total Program and Supporting Services	744,898	-	744,898
INCREASE (DECREASE) NET ASSETS	(93,135)	-	(93,135)
NET ASSETS, BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>
	793,614	-	793,614
NET ASSETS, END OF YEAR	<hr/>	<hr/>	<hr/>
	\$ 700,479	\$ -	\$ 700,479
	<hr/>	<hr/>	<hr/>

PALMER DRUG ABUSE PROGRAM-HOUSTON, INC.
(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2016

	<u>Program and Supporting Services</u>			
	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u> <u>Program and</u> <u>Supporting</u> <u>Services</u>
Compensation expense	\$ 348,614	\$ 66,832	\$ 56,561	\$ 472,007
Employee benefits	51,345	9,843	8,331	69,519
Office and facilities rental	39,461	11,277	6,451	57,189
Payroll taxes	29,296	5,616	4,753	39,665
Communications	14,513	95	-	14,608
Promotion and marketing	2,597	-	-	2,597
Program expenses	46,471	-	-	46,471
Office expense	-	11,450	-	11,450
Professional fees	-	5,675	-	5,675
Insurance	7,794	1,241	-	9,035
Miscellaneous expense	9,554	-	-	9,554
Depreciation	7,128	-	-	7,128
	<u>\$ 556,773</u>	<u>\$ 112,029</u>	<u>\$ 76,096</u>	<u>\$ 744,898</u>

PALMER DRUG ABUSE PROGRAM-HOUSTON, INC.
(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ (93,135)
Adjustments to reconcile change in Net Assets to Net Cash provided by operating activities	
Depreciation	7,128
(Increase) decrease in prepaid expenses	65
Increase (decrease) in accounts payable	<u>(4,230)</u>
Net Increase(decrease) in Cash and Cash equivalents from Operations	<u><u>(90,172)</u></u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net increase (decrease) in Cash from Investing Activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(90,172)
Cash and cash equivalents, beginning of year	<u>602,512</u>
Cash and cash equivalents, end of year	<u><u>\$ 512,340</u></u>

Supplemental Disclosures

Noncash Investing and Financing Activities

Cash paid during the year for:	
Interest	<u><u>\$ -</u></u>
Income taxes	<u><u>\$ -</u></u>

Palmer Drug Abuse Program-Houston, Inc.

(a nonprofit organization)

Notes to Financial Statements

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Palmer Drug Abuse Program-Houston, Inc. was incorporated in the State of Texas on February 26, 1979. The mission of Palmer Drug Abuse Program is to be the most effective prevention and recovery program helping young people and families avoid or recover from the devastating effects of drug and alcohol abuse.

The organization started in 1971 at Palmer Memorial Episcopal Church in Houston, Texas as a fellowship of young people, adults and parents sharing their experience, love and understanding to solve their common problems and help others to recover from the effects of mind-changing chemicals. The Organization is non-sectarian and the primary requirement for membership is the desire to live a chemical-free life.

Support and Expenses

Contributions received are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 periods. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts.

Property and Equipment

Property and equipment is capitalized and depreciated over the estimated useful life of the individual assets as required by the Internal Revenue Code.

Purchased property and equipment is carried at cost and donated property and equipment is recorded at the approximate fair value at the date of the donation.

Income Taxes

The organization is exempt from federal income taxation under Section 501(c) (3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the income tax code). All tax years are still open to audit by the respective taxing authorities. Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation.

Palmer Drug Abuse Program-Houston, Inc.
(a nonprofit organization)
Notes to Financial Statements

NOTE B – CONCENTRATION OF CREDIT RISK

The organization accumulated cash balances in various banks. These accounts are insured by the FDIC to an aggregated maximum of \$250,000. At December 31, 2016, the Organization had no funds in excess of the insured limits. The Organization uses what it considers financially sound financial institutions and the exposure to loss is not considered significant.

NOTE C – CONCENTRATION OF CONTRIBUTIONS

During the year ended December 31, 2016, contributions were concentrated as follows:

Foundations	\$ 272,300
Contributions in Kind	59,189
Individuals	36,300
Churches	23,438
Businesses	<u>9,077</u>
	<u><u>\$ 400,304</u></u>

NOTE D – CONTRIBUTIONS IN KIND

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Rent of Office and Meeting Facilities	\$ 39,461	\$ 11,277	\$ 6,451	\$ 57,189
Office expense	-	2,000	-	2,000
	<u>\$ 39,461</u>	<u>\$ 13,277</u>	<u>\$ 6,451</u>	<u>\$ 59,189</u>

Various churches provide the use of facilities for satellite meeting locations at no cost to the organization. Further, Cabot Oil & Gas donated administrative office space during the year. The estimated fair rental value of the use of the facilities has been recorded as a contribution in kind and also as rent of office and meeting facilities.

Palmer Drug Abuse Program-Houston, Inc.
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Notes to Financial Statements

NOTE E – RETIREMENT PLAN

Effective November 1, 2009, the Organization adopted a retirement plan designed to comply with the requirements of Section 403(b) (1) of the Internal Revenue Code of 1986 (as amended). This plan is intended to be a non-ERISA 403(b) plan for tax-exempt, nongovernmental employers (other than churches). This plan allows employees to contribute up to statutory limits to the plan but the plan is not designed to provide for employer matching contributions or employer non-elective contributions.

NOTE F – FAIR VALUES OF FINANCIAL INSTRUMENTS

The organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by Generally Accepted Accounting Principles (GAAP), requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets in markets that are not active;
 - Observable inputs other than quoted prices for the asset or liability, and
 - Inputs derived principally from, or corroborated by, observable market data by correlation, or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs may not always be available for assets and liabilities that the organization is required to measure at fair value.

The primary uses of fair value measures in the organization's financial statements are

- Initial measurement of non cash gifts,
- Measurement of construction in progress.

NOTE G – Building

The land upon which the Spring Activity building sits is owned by the Episcopal Diocese of Houston, and is covered by a 30 year lease to Palmer Drug Abuse Program-Houston, Inc., at no cost.

Palmer Drug Abuse Program-Houston, Inc.
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Notes to Financial Statements

NOTE H – PROPERTY AND EQUIPMENT

Property and equipment consists of a building and building furnishings and recreational equipment. Property and equipment is being depreciated on a straight line basis over the following useful lives

Building	39.5 years
Furniture and recreational equipment	3 - 7 years

NOTE I – SUBSEQUENT EVENTS

Upon evaluation, the Company notes that there were no material subsequent events between the date of the financial statements and the date that the financial statements were issued or available to be issued.