

PALMER DRUG ABUSE PROGRAM
HOUSTON, INC.

FINANCIAL REPORT

December 31, 2023 and 2022

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Certified Public Accountants

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Independent Auditors' Report

To the Board of Trustees
Palmer Drug Abuse Program Houston, Inc.
Houston, Texas

Opinion

We have audited the accompanying financial statements of Palmer Drug Abuse Program Houston, Inc. (a Texas nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 Palmer Drug Abuse Program Houston, Inc. as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits 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 Palmer Drug Abuse Program Houston, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Palmer Drug Abuse Program Houston, Inc.'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

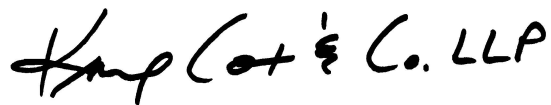
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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 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 Palmer Drug Abuse Program Houston, Inc.'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, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ABC 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 related matters that we identified during the audit.

Handwritten signature in black ink that reads "Karp Cot & Co. LLP". The signature is written in a cursive, flowing style.

Sugar Land, Texas
November 6, 2024

FINANCIAL STATEMENTS

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PALMER DRUG ABUSE PROGRAM HOUSTON, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 310,476	\$ 426,535
Contributions receivable		12,500
Prepaid expenses and other assets	17,708	9,771
Property and equipment, net		
	<u> </u>	<u> </u>
Total Assets	<u>\$ 328,184</u>	<u>\$ 448,806</u>
 <u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$ 1,597	\$ 2,444
Total Liabilities	<u>1,597</u>	<u>2,444</u>
 <u>Net Assets</u>		
Without donor restrictions	316,587	446,362
With donor restrictions	10,000	
Total Net Assets	<u>326,587</u>	<u>446,362</u>
 Total Liabilities and Net Assets	 <u>\$ 328,184</u>	 <u>\$ 448,806</u>

See Accompanying Notes to Financial Statements.

PALMER DRUG ABUSE PROGRAM HOUSTON, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Changes in Net Assets without Donor Restrictions</u>		
Revenues		
Contributions	\$ 377,055	\$ 369,678
Special events income	67,603	98,283
Program income		1,513
Interest and other income	5,877	1,622
Total Revenues without Donor Restrictions	<u>450,535</u>	<u>471,096</u>
Net Assets Released from Restrictions		
Satisfaction of program restrictions		25,000
Total Net Assets Released from Restrictions		<u>25,000</u>
Total Revenues and Other Support without Donor Restrictions	450,535	496,096
Expenses		
Program services	361,653	372,687
General and administrative	133,026	99,439
Fundraising	85,631	72,154
Total Expenses	<u>580,310</u>	<u>544,280</u>
(Decrease) in Net Assets without Donor Restrictions	<u>(129,775)</u>	<u>(48,184)</u>
<u>Changes in Net Assets with Donor Restrictions</u>		
Private foundation support	10,000	
Restrictions satisfied by payments		(25,000)
Increase (Decrease) in Net Assets with Donor Restrictions	<u>10,000</u>	<u>(25,000)</u>
(Decrease) in Net Assets	(119,775)	(73,184)
Net assets, beginning	<u>446,362</u>	<u>519,546</u>
Net Assets, Ending	<u>\$ 326,587</u>	<u>\$ 446,362</u>

See Accompanying Notes to Financial Statements.

PALMER DRUG ABUSE PROGRAM HOUSTON, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2023 and 2022

	2023			
	Program Services	Management & General	Fundraising	Total
Compensation expense	\$ 262,462	\$ 45,966	\$ 64,436	\$ 372,864
Professional fees	9,250	34,023		43,273
Employee benefits and taxes	42,586	11,399	10,471	64,456
Office and facilities rentals	24,574	33,672		58,246
Operating expenses	14,615	7,370	10,724	32,709
Insurance and other	3,322			3,322
Program expenses	3,711			3,711
Travel and meetings	1,133	596		1,729
Totals	\$ 361,653	\$ 133,026	\$ 85,631	\$ 580,310

	2022			
	Program Services	Management & General	Fundraising	Total
Compensation expense	\$ 229,662	\$ 41,063	\$ 52,903	\$ 323,628
Professional fees	42,780	17,854	300	60,934
Employee benefits and taxes	50,063	11,325	6,905	68,293
Office and facilities rentals	27,600	24,232		51,832
Operating expenses	17,680	2,895	12,035	32,610
Insurance and other	1,400	1,801		3,201
Depreciation and amortization		57		57
Program expenses	2,522			2,522
Travel and meetings	980	212	11	1,203
Totals	\$ 372,687	\$ 99,439	\$ 72,154	\$ 544,280

See Accompanying Notes to Financial Statements.

PALMER DRUG ABUSE PROGRAM HOUSTON, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Cash Flows from Operating Activities</u>		
(Decrease) in Net Assets	\$ (119,775)	\$ (73,184)
Adjustments to reconcile (decrease) in net assets to net cash (used) by operating activities:		
Depreciation		57
(Increase) decrease in accounts receivable	12,500	45,000
(Increase) decrease in prepaid expenses	(7,937)	(2,859)
Increase (decrease) in accounts payable and accrued liabilities	(847)	(2,740)
Net Cash (Used) by Operating Activities	<u>(116,059)</u>	<u>(33,726)</u>
Net (Decrease) in Cash and Cash Equivalents	(116,059)	(33,726)
Cash and cash equivalents, beginning of year	<u>426,535</u>	<u>460,261</u>
Cash and Cash Equivalents, End of Year	<u>\$ 310,476</u>	<u>\$ 426,535</u>

See Accompanying Notes to Financial Statements.

PALMER DRUG ABUSE PROGRAM HOUSTON, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Palmer Drug Abuse Program Houston, Inc. (the "Organization") 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.

Basis of Presentation

The financial statements of Palmer Drug Abuse Program Houston, Inc. have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires Palmer Drug Abuse Program Houston, Inc. to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

PALMER DRUG ABUSE PROGRAM HOUSTON, INC.

NOTES TO FINANCIAL STATEMENTS

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Property and Equipment, Net

Acquisitions of property and equipment in excess of \$500 are capitalized. Lesser amounts are expensed. Purchased property and equipment are carried at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from three to seven years. Any gain or loss on retirement, sale or other disposition of the equipment is recognized as revenue or expense.

Leases

The Organization has elected the short-term lease exemptions for all leases with a term of 12 months or less for both existing and ongoing leases to not recognize the assets and liabilities for these leases. Lease payments for short-term leases are recognized on straight line basis.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

Contributed Services

Occasionally the Organization receives donated use of facilities and other services. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are

PALMER DRUG ABUSE PROGRAM HOUSTON, INC.

NOTES TO FINANCIAL STATEMENTS

reported as contributions in-kind and support services in the accompanying statements of activities and statements of functional expenses, when applicable. In 2023 and 2022, there were no donated use of facilities.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. The Organization has allocated expenses on the basis of time and effort for 2023 and 2022.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

PALMER DRUG ABUSE PROGRAM HOUSTON, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the Organization's financial assets at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 310,476	\$ 426,535
Contributions receivable		12,500
Total Financial Assets	<u>310,476</u>	<u>439,035</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	10,000	
Less net assets with purpose restriction to be met in less than a year	<u>10,000</u>	
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 310,476</u>	<u>\$ 439,035</u>

The Organization endeavors to match its operating activities and spending levels with expected cash inflows on an annual basis. The Organization's goal is generally to maintain a financial reserve of at least three months of operating expenses and manage the timing of cash inflows with the reserve. If the Organization is unable to maintain adequate reserves, operating activities and spending levels could be temporarily suspended or reduced.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Furniture & fixtures	\$ 698	\$ 698
	698	698
Accumulated depreciation	<u>(698)</u>	<u>(698)</u>
	<u>\$</u>	<u>\$</u>

For the years ended December 31, 2023 and 2022, depreciation expense totaled \$0 and \$57, respectively.

NOTE 4 - LEASE COMMITMENTS

The Organization leases office space under various annual lease agreements that are accounted for as short-term leases. Rent expense for the years ended December 31, 2023 and 2022 was \$57,562 and \$51,832, respectively.

PALMER DRUG ABUSE PROGRAM HOUSTON, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Young adult program	\$ 10,000	\$
Total	<u>\$ 10,000</u>	<u>\$</u>

Net assets without donor restrictions for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 316,587	\$ 446,362
	<u>\$ 316,587</u>	<u>\$ 446,362</u>

Net assets released from net assets with donor restrictions for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Passage of time	\$	\$ 25,000
	<u>\$</u>	<u>\$ 25,000</u>

NOTE 6 - 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 no-elective contributions.

NOTE 7 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 6, 2024, the date which the financial statements were available to be issued.