CHRISTIAN RECOVERY CENTERS, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

CHRISTIAN RECOVERY CENTERS, INC.

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Ph.D. Assurance Services
Certified Public Accountants & Certified Fraud Examiners

Office Location:

7161 Beach Drive Suite 2
Ocean Isle Beach, NC 28469

Independent Auditor's Report

To the Board of Directors Christian Recovery Centers, Inc.

Opinion

We have audited the financial statements of Christian Recovery Centers, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2023, 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 accompanying financial statements 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 (GAAS). 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 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 GAAS, 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, in 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-related matters that we identified during the audit.

Ph.D. Assurance Services

Ph.D. Assurance Services

April 17, 2024

Christian Recovery Centers, Inc.
Statement of Financial Position
December 31, 2023

Assets	
Current assets	
Cash	452,469
Accounts receivable	68,922
Total current assets	**521,391**
Long-term Assets	
Security deposit	1,400
Fixed assets, net	6,371,138
Total Long-term Assets	**6,372,538**
Total assets	**6,893,929**
Liabilities and Net Assets	
Current liabilities	
Accounts payable	85,702
Notes payable, current portion	99,727
Total current liabilities	**185,429**
Long-term Liabilities	
Notes payable, net of current portion	2,560,833
Total Long-term Liabilities	**2,560,833**
Total liabilities	**2,746,262**
Net assets	
Without donor restrictions	2,931,351
With donor restrictions	1,216,316
Total net assets	**4,147,667**
Total liabilities and net assets	**6,893,929**

The accompanying notes are an integral part of these financial statements

Christian Recovery Centers, Inc.
Statement of Activities
For the Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
Public Support and Revenues			
Contributions	427,875		427,875
Fundraisers	68,323		68,323
Grant revenues	918,210		918,210
Business Income	1,244,010		1,244,010
In-kind Contributions	664,471		664,471
Phase 4 Program Fees	84,660		84,660
Sales and Taxes Refund	61,846		61,846
Interest income	12,133		12,133
Gain (loss) on disposal of assets	-		-
Other income	18,531		18,531
Net assets released from restrictions			-
Total public support and revenues	**3,500,059**	**-**	**3,500,059**
			-
Expenses			-
Program services	1,427,552		1,427,552
Management and general	579,219		579,219
Fundraising	216,413		216,413
Total expenses	**2,223,184**	**-**	**2,223,184**
			-
Change in net assets	**1,276,875**	**-**	**1,276,875**
			-
Net assets, beginning of year	1,654,476	1,216,316	2,870,792
Net assets, end of year	**2,931,351**	**1,216,316**	**4,147,667**

The accompanying notes are an integral part of these financial statements

Christian Recovery Centers, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services	Management and General	Fundraising	Total
Payroll & Employee Support	627,914	254,771	95,190	977,875
Administrative	93,644	40,133		133,777
Advertising		45,732		45,732
Depreciation	88,293	36,922	13,171	138,386
Special events			23,318	23,318
Insurance	86,881	35,251	27,070	149,202
Interest	45,141	19,346		64,487
Medical services	17,478			17,478
Ministry Program Supplies	7,418			7,418
Office		22,115		22,115
Property taxes	9,145			9,145
Repairs and maintenance	96,223			96,223
Resident services	104,086			104,086
Supplies	112,098	45,483	16,994	174,574
Tech	13,151	5,636	28,181	46,968
Training	11,995	5,141		17,136
Utilities	34,641	34,641		69,282
Vehicle	78,678	33,719	12,489	124,886
Miscellaneous	767	329		1,096
Total	**1,427,552**	**579,219**	**216,413**	**2,223,184**

The accompanying notes are an integral part of these financial statements

Christian Recovery Centers, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash, beginning of year		**1,393,348**
Cash flows from operating activities		
Change in net assets	1,276,875	
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	152,285	
Change in:		
Accounts receivable	(34,028)	
Grants receivable	-	
Prepaid expenses	-	
Security deposit	-	
Accounts payable	51,414	
Accrued expenses	-	
Notes payable, current portion	(5,964)	
Net cash provided (used) by operating activities		1,440,582
Cash flows from investing activities		
Purchase of fixed assets		(3,673,836)
Cash flows from financing activities		
Proceeds from notes payable	1,385,978	
Payments on notes payable	(93,603)	
Net cash provided (used) by financing activities		1,292,375
Net change in cash		(940,879)
Cash, end of year		**452,469**

The accompanying notes are an integral part of these financial statements

Note 1. **Nature of Organization and Summary of Significant Accounting Policies**

Nature of Activities

Christian Recovery Centers, Inc. (the Organization) is a not-for-profit treatment center serving those suffering from active addiction. It is not a traditional short-term rehabilitation facility. The Organization includes multiple types of recovery resources, including the 12-step program and therapeutic professional services, in its treatment curriculum. Opportunities to move forward in the recovery process are also presented in a traditional educational and social reform standpoint to each resident at no cost to them or their families. This is a proven program that works absolutely for anyone willing to adopt it. Work force redevelopment and continuing education continues to provide more meaning and impact to their residents. The Organization partners with multiple agencies as an effort to provide vocational training that will assist in creating resume items that lead the way to more meaningful employment opportunities. The Organization's primary purpose is to provide each resident with the spiritual and educational tools necessary for a long-term recovery from the illness of addiction and the beginning of a successful life.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the Unites States (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets available for use at the discretion of the Organization's Board of Directors and/or management for general operating purposes.

Net assets with donor restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Contributions which are restricted for specific programs are reflected as net assets without donor restrictions if these funds are received and spent in the same fiscal year.

Cash

The Organization considers all highly liquid investments with an original maturity when purchased of three months or less to be cash.

Accounts Receivable

Accounts receivable are customer obligations due according to the customer's terms. The Organization provides various services to customers, including landscaping, cleaning, and catering. Management reviews accounts receivable annually to determine if any receivables will be uncollectible. Based on the information available, the Organization believes that all receivables are collectible and therefore has not established an allowance for doubtful accounts.

Fixed Assets

The Organization capitalizes all expenses for land, building, and equipment in excess of $1,000. Land, building, and equipment are carried at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 39 years.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, its income is not subject to federal income tax. Accordingly, the Organization has made no provision for income taxes.

Revenue Recognition - Contributions and Grants

Contributions and grants received are recognized as revenues at their fair values when they become unconditional. Contributions and grants are recorded as with donor restrictions if they are received with donor or granter stipulations that limit the use of the donation. Conditional contributions and grants are not included as support until such time as the conditions are substantially met.

Revenue Recognition - In-kind Contributions

The value of donated goods and services meeting the criteria for recognition are recorded as in-kind contributions, with the corresponding assets or expenses recorded when the fair values of the goods and services are available.

Revenue Recognition - Business Income and Work Trip

The Organization recognizes business income and work trip revenues when or as performance obligations are satisfied.

Functional Allocation of Expenses

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. Management and general costs that benefit multiple functional areas have been allocated among the programs and supporting services according to time and effort.

Note 2. **Liquidity and Availability**

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's strategic goal is to build a cash balance that will support three to six months of operating expenses. The Organization's working capital and cash flows have seasonal variations during the fiscal year attributable to cash receipts for program services and a concentration of contributions received at calendar year-end.

Note 3. **Fixed Assets**

Fixed assets consist of the following:

Land	649,230
Buildings and improvements	5,479,638
Furniture and equipment	150,895
Vehicles	408,039
Total Fixed assets	**6,687,802**
Less: accumulated depreciation	(316,664)
Fixed assets, net	**6,371,138**

Note 4. **Concentrations**

As of December 31, 2023, the bank account balances of the Organization were all below the $250,000 FDIC limit.

Note 5. **In-kind Contributions**

The Organization received in-kind contributions of construction services to be capitalized in the amount of $664,471 during the year.

Note 6. **Notes Payable**

Notes Payable consist of the following:

In December 2022 the Organization was granted a $900,000 interest-free loan through the North Carolina Housing Finance Agency, which calls for monthly payments of $1,500 beginning in February 2023. The balance remaining at the end of twenty years is to be forgiven. The Rose House, a residential treatment facility serves as collateral for the interest-only note payable.

In December 2022, the Organization borrowed $59,633 from its United Bank line of credit, which was paid in full in January 2023.

In November 2022, the Organization was granted a note payable of $369,750 from South State Bank, with interest payable at 6.35%, payable in 119 monthly installments of $2,744 beginning December 2022, with a final payment of the remaining balance due on November 30, 2032. The balance of this loan on December 31, 2024 was $359,512.

In July 2022, the Organization purchased a vehicle and obtained financing under a revolving line of credit in the amount of$25,662, with interest payable at 3.25%. In July 2022, the Organization purchased landscaping equipment and a vehicle wagon trailer under the same line of credit in the amount of $17,839, with interest payable at 6%. The notes are payable in monthly installments of $264 and $401, respectively, with the final payments due in 2027. The vehicle, equipment, and vehicle wagon trailer serve as collateral for the note.

In May 2023, the Organization was granted a note from Skyline National Bank for $1,250,000, with interest payable at 5%, and monthly payment of $8,253.

In May, August, October, November 2023, the Organization was granted five notes from the United Bank for $18,027, $10,500, $48,361, $34,620, $51,400 the interest rates are 7.35%, 7.35%, 8.5%, 8.5%, 8.5% and monthly payments are $361, $210, $995, $712, $1,058.

Future maturities of notes payable as adjusted for subsequent events are as follows:

Year ended December 31,	
2024	99,727
2025	100,683
2026	101,736
2027	102,851
2028	122,352
Thereafter	2,133,211
Total	**2,660,560**

Note 7. **Subsequent Events**

Management has evaluated subsequent events through March 31, 2024, the date on which the financial statements were available for issuance.