TRIANGLE RESIDENTIAL OPTIONS FOR SUBSTANCE ABUSERS, INC.
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2021

TRIANGLE RESIDENTIAL OPTIONS FOR SUBSTANCE ABUSERS INC.
AND AFFILIATES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Langdon & Company LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Triangle Residential Options for Substance Abusers, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Triangle Residential Options for Substance Abusers, Inc. and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. As discussed in Note 1, Principles of Consolidation, the consolidated financial statements include the accounts of Triangle Residential Options for Substance Abusers, Inc. ("TROSA, Inc."), TROSA Commercial, Inc., and TROSA Residential, Inc. The financial statements of TROSA Commercial, Inc. and TROSA Residential, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal and State awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Organizations' 2020 consolidated financial statements and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated September 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021, on our consideration of the Organizations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TROSA, Inc.'s internal control over financial reporting and compliance.

Langdon & Company LLP

Garner, North Carolina
September 23, 2021

**TRIANGLE RESIDENTIAL OPTIONS FOR SUBSTANCE ABUSERS, INC.
AND AFFILIATES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**June 30, 2021
with comparative totals as of June 30, 2020**

ASSETS

	2021	2020
Current assets:		
Cash and cash equivalents	$ 10,521,146	$ 10,156,981
Replacement reserves	146,508	139,451
Accounts receivable (less allowance for doubtful accounts of $35,707 and $61,690 at June 30, 2021 and 2020, respectively)	323,978	219,702
Grants receivable	127,337	36,449
Other receivables	73,319	116,211
Promises to give	3,000	53,000
Prepaid expenses	170,420	114,801
Inventory	1,525,795	1,509,402
Other assets	151,837	93,691
Property held for sale	324,378	221,515
Total current assets	13,367,718	12,661,203
Property and equipment, net	23,386,363	21,323,762
Other assets:		
Deposits receivable	83,073	6,795
Promises to give in one to five years	-	50,000
Total other assets	83,073	56,795
Total assets	$ 36,837,154	$ 34,041,760

LIABILITIES AND NET ASSETS

	2021	2020
Current liabilities:		
Accounts payable	$ 574,781	$ 1,075,884
Accrued expenses	466,004	427,419
Funds held for residents	259,026	109,161
Current portion of long-term debt	176,394	169,337
Current maturities of obligations under capital leases	25,182	21,754
Refundable advances - grant	994,175	1,795,364
Refundable advances, current - PPP	-	254,068
Total current liabilities	2,495,562	3,852,987
Long-term liabilities:		
Refundable advances, noncurrent - PPP	-	370,032
Refundable advances	490,450	490,450
Long-term debt, less current portion	870,142	1,032,321
Obligations under capital leases, less current maturities	55,905	81,087
Total long-term liabilities	1,416,497	1,973,890
Total liabilities	3,912,059	5,826,877
Net assets:		
Without donor restrictions	28,797,001	25,861,223
With donor restrictions:		
Perpetual in nature	100,000	100,000
Purpose restricted	4,028,094	2,253,660
	4,128,094	2,353,660
Total net assets	32,925,095	28,214,883
Total liabilities and net assets	$ 36,837,154	$ 34,041,760

The accompanying notes are an integral part of the consolidated financial statements.

TRIANGLE RESIDENTIAL OPTIONS FOR SUBSTANCE ABUSERS, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

for the year ended June 30, 2021 with comparative totals for 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
Public support and revenue:				
Public support:				
Contributions	$ 1,625,679	$ 608,704	$ 2,234,383	$ 1,437,870
Contributed land and buildings lease (Note 6)	-	1,341,500	1,341,500	-
Grants	5,657,453	22,046	5,679,499	6,515,022
Paycheck Protection Program (Note 1)	624,100	-	624,100	-
Donated materials, services and property	2,980,473	-	2,980,473	3,440,678
Total public support	10,887,705	1,972,250	12,859,955	11,393,570
Revenue:				
Net vocational programs revenue	9,239,437	-	9,239,437	9,534,197
Meals program revenue	766,352	-	766,352	502,169
Graduate program revenue	170,161	-	170,161	109,347
Transitional care revenue	-	-	-	217,000
Other income	4,788	-	4,788	258,659
Interest income	1,899	-	1,899	77,285
Total revenue	10,182,637	-	10,182,637	10,698,657
Net assets released from restrictions	197,816	(197,816)	-	-
Total public support and revenue	21,268,158	1,774,434	23,042,592	22,092,227
Expenses:				
Program services	16,729,279	-	16,729,279	17,398,763
Supporting services:				
Management and general	850,583	-	850,583	1,057,961
Fundraising	752,518	-	752,518	684,760
Total supporting services	1,603,101	-	1,603,101	1,742,721
Total expenses	18,332,380	-	18,332,380	19,141,484
Changes in net assets	2,935,778	1,774,434	4,710,212	2,950,743
Net assets at beginning of year	25,861,223	2,353,660	28,214,883	25,264,140
Net assets at end of year	$28,797,001	$ 4,128,094	$32,925,095	$28,214,883

The accompanying notes are an integral part of the consolidated financial statements.

TRIANGLE RESIDENTIAL OPTIONS FOR SUBSTANCE ABUSERS, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

for the year ended June 30, 2021 with comparative totals for 2020

	2021				2020
	Program Services	Management and General	Fund-Raising	Grand Totals	Totals
Salaries, tax and benefits	$ 4,290,090	$ 521,244	$ 539,928	$ 5,351,262	$ 5,278,371
Resident expenses	5,004,094	-	-	5,004,094	5,481,280
Supplies	595,874	12,531	35,658	644,063	531,888
Insurance	640,573	39,651	12,112	692,336	635,590
Auto expenses	243,591	112	-	243,703	276,106
Utilities and security	1,000,558	27,529	8,655	1,036,742	1,026,264
Vocational programs expense	1,100,309	-	-	1,100,309	1,269,369
Maintenance and repairs	866,630	2,539	3,420	872,589	1,041,982
Equipment rent	164,234	879	420	165,533	151,870
Telephone	186,011	7,581	6,438	200,030	187,109
Contract services and professional fees	495,122	118,880	80,304	694,306	899,501
Bank fees	158,415	14,597	-	173,012	192,359
Interest expense	66,063	1,376	3,286	70,725	65,907
Small equipment	77,855	2,185	869	80,909	76,737
Taxes and licenses	152,675	25,516	18,324	196,515	197,191
Bad debt expense	4,883	-	3,175	8,058	34,830
Meals and travel	33,595	1,026	365	34,986	89,504
Dues and subscriptions	15,777	4,457	2,744	22,978	21,644
Training expense	10,098	6,208	4,244	20,550	29,500
Office expense	18,799	10,960	21,228	50,987	72,649
Advertising	21,390	644	3,193	25,227	40,693
Depreciation and amortization	1,582,643	52,668	8,155	1,643,466	1,541,140
Total expenses	$ 16,729,279	$ 850,583	$ 752,518	$ 18,332,380	$ 19,141,484

The accompanying notes are an integral part of the consolidated financial statements.

TRIANGLE RESIDENTIAL OPTIONS FOR SUBSTANCE ABUSERS, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended June 30, 2021
with comparative totals for 2020

	2021	2020
Cash flows from operating activities:		
Cash received from grantors and contributors	$ 7,085,171	$ 7,178,286
Cash received from clients and third-party payers	10,023,127	10,554,325
Cash paid to suppliers and employees	(14,342,634)	(13,706,271)
Interest received	1,899	77,285
Interest paid	(32,490)	(29,251)
Net cash provided by operating activities	2,735,073	4,074,374
Cash flows from investing activities:		
Purchases of property and equipment	(2,148,740)	(4,223,244)
Proceeds from sales of property and equipment	-	279,317
Replacement reserve deposits	(7,057)	(12,048)
Net cash used in investing activities	(2,155,797)	(3,955,975)
Cash flows from financing activities:		
Repayment of debt	(193,357)	(155,622)
Repayment of obligations under capital leases	(21,754)	(33,890)
Net cash used in financing activities	(215,111)	(189,512)
Net increase (decrease) in cash	364,165	(71,113)
Cash at beginning of year	10,156,981	10,228,094
Cash at end of year	$ 10,521,146	$ 10,156,981
Supplemental schedule of noncash investing and financing activities:		
In-kind donations of property and equipment	$ 41,876	$ 362,642
Acquisition of equipment under capital lease	-	99,020
Contributed land and buildings lease	1,341,500	-
	$ 1,383,376	$ 461,662

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Triangle Residential Options for Substance Abusers, Inc. and Affiliates (the "Organization") was incorporated on October 8, 1992. It is a multi-year residential self-help program for those with substance use disorders located in Durham, North Carolina, expanding to Winston-Salem, North Carolina. The Organization serves men and women, age 18 and older, at no cost to the individual. For some, it serves as an alternative to incarceration.

The Organization's program emphasizes education, vocational training and communication skills. In order to provide residents with job skills, the Organization operates a number of income-generating vocational training programs. These vocational training programs include moving and storage services, lawn care, Christmas tree lots and a thrift store. The Organization is also supported with significant amounts of contributions, government grants and donated materials, services and property.

Principles of Consolidation

The consolidated financial statements include the accounts of Triangle Residential Options for Substance Abusers, Inc. ("TROSA, Inc."), TROSA Commercial, Inc., and TROSA Residential, Inc., both of which TROSA, Inc. is the sole member.

Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, the Organization considers cash on hand and deposits in bank and all highly liquid investments with an original maturity of three months or less, excluding cash whose use is restricted by debt covenants, to be cash and cash equivalents. The Organization maintains its cash accounts with financial institutions, which at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization holds cash in a separate account for replacement reserves relating to notes payable with North Carolina Housing Finance Agency.

Paycheck Protection Program (“PPP”)

Funds were received pursuant to PPP under Division A, Title I of the CARES Act, enacted March 27, 2020. Under the terms of the PPP, the Organization initially recognized the funds as a refundable advance and as conditions for forgiveness were met, recognized contribution revenue. All conditions were met during 2021 and the amount is reflected on the accompanying Statement of Activities as “Paycheck Protection Program”.

Inventory

Inventory primarily consists of donated and purchased food and beverages, supplies and items sold in the course of the Organization's vocational training programs. Inventory is valued at the lower of cost or market and cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventory *(Continued)*

The Organization receives a significant amount of contributed goods and materials that it processes as merchandise available for sale in its thrift store. The Organization believes that these donated items do not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine inventory value at the time of the donation. Instead, the value of inventory at the end of the year is estimated using historical sales of similar inventory.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition and Receivables

During 2020, the Organization adopted Accounting Standard Update 2014-09, *Revenue from Contracts with Customers* (Topic 606), which outlines a single model to account for revenue arising from contracts with customers and supersedes most current revenue recognition guidance on the same topic. The core principle is the recognition of contract revenue from customers when an entity transfers promised goods or services in an amount that reflects the consideration an entity expects to receive in exchange for those goods or services. Additionally, Accounting Standards Codification (ASC) Topic 606 requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of this standard mainly relates to the Organization’s revenue recorded within net vocational programs revenue, meals program revenue and graduate program revenue in the accompanying consolidated statement of activities, as most other revenue is not within the scope of ASC Topic 606. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore, no changes to the previously issued financial statements were required on a retrospective basis. The presentation and revenue disclosures have been enhanced in accordance with this standard.

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue Recognition and Receivables *(Continued)*

Contributions, Grants and Federal and State Awards

Contributions, grants, and Federal and State awards received by the Organization are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor/grantor restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return - are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value using a risk adjusted discount rate. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire, that is, the stipulated time restrictions end or a purpose restriction is accomplished, in the reporting period in which the revenue is recognized. 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 and reported in the statement of activities as net assets released from restrictions.

During the year ended June 30, 2020, the Organization received an unconditional pledge of $150,000, of which $100,000 remained in promises to give at year-end. The Organization has received conditional grants in the amount of $1,500,000 and $200,000, expiring in December 2022 and June 2022, respectively. Payment is contingent upon expending eligible project costs. Since these grants represent conditional promises to give, they will be subsequently recognized as revenue when conditions are met. Conditions were met for a portion of these grants and related revenue and receivables of $90,000 was recognized in 2021.

In 2021 and 2020, the Organization received contributions and grants of $2,535,870 and $3,181,879, respectively, that went towards the purchase or construction of property and equipment, which is reflected on the accompanying consolidated statement of financial position.

Donated Assets and Services

Donated materials, property and equipment and services are recorded at their estimated fair market values at date of receipt and are reflected as contributions in the accompanying consolidated financial statements. The Organization benefited from donated labor related to vocational training programs valued at $41,876 and $320,677 for the years ended June 30, 2021 and 2020, respectively. The Organization recognizes the fair value of contributed services received if such services a) create or enhance a nonfinancial asset or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs, but which do not meet the criteria for financial statement recognition.

Net Vocational Program Revenue

Net vocational program revenue includes revenue from moving and storage services, lawn care, Christmas tree lots, and thrift store.

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue Recognition and Receivables *(Continued)*

The Organization determines the amount of revenue to be recognized through application of the following steps:

- Identification of the contract with a customer,
- Identification of the performance obligations of the contract,
- Determination of the transaction price,
- Allocation of the transaction price to the performance obligations in the contract, and
- Recognition of revenue when or as the Organization satisfies the performance obligations.

A performance obligation is a promise in a contract with a customer to transfer products or services that are distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment. For performance obligations related to moving, lawn care services, Christmas tree lot sales and thrift store sales, control transfers to the customer at a point in time. Payment for these goods and services is due at the time the good or service is provided, and the Organization transfers control and records revenue at that time. Because the majority of the Organization's performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by any applicable discounts.

Meals Program Revenue

TROSA, Inc. participates in the NC Supplemental Nutritional Assistance (SNAP) program on behalf of its clients. They receive an electronic benefit transfer (EBT) card from SNAP for eligible clients, and TROSA, Inc. is authorized to use the card to reimburse them for meals provided to eligible residents. This revenue is recognized at a point in time as meals are provided.

Graduate Program Revenue

Graduate program revenue is recognized at a point in time once the performance obligations are met.

Contract Balances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a method that approximates a provision for bad debt expense and an adjustment 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 reduction of accounts receivable.

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and Equipment

The Organization capitalizes property and equipment over $2,000. Lesser amounts are expensed. Purchased property and equipment are recorded at cost. Donated property and equipment is recorded as revenue at its estimated fair value as of the date of the donation. Such donations are reported as revenue 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 support with donor restrictions.

Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	5-40 years
Furniture, equipment, and software	5-10 years
Vehicles	5-10 years

Expenditures for repairs and maintenance are charged to expense as incurred. The cost of major renewals and betterments is capitalized and depreciated over their useful lives. Upon disposition of property and equipment, the related asset and accumulated depreciation amounts are removed, and any gain or loss is reflected within the statement of activities for the period.

Advertising Expenses

The cost of advertising is charged to expense as incurred. Advertising expense amounted to $25,227 and $40,693 for the years ended June 30, 2021 and 2020, respectively.

Functional Allocation of Expenses

The costs of program and supporting services 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. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

The majority of expenses are directly coded to programs. Allocated expenses include salaries, tax, and benefits, which are allocated based on hours worked, and occupancy-related expenses, such as utilities and security, which are allocated based on square feet.

Income Taxes

TROSA, Inc. is exempt from income tax under the Internal Revenue Code Section 501(c)(3). TROSA Residential, Inc. and TROSA Commercial, Inc. are exempt from income tax under Internal Revenue Code Section 501(c)(2). There is no unrelated business income tax for the years ended June 30, 2021 and 2020.

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income Taxes *(Continued)*

The Organization evaluates any uncertain tax positions. Accordingly, the Organization's policy is to record a liability for any tax position taken that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2021 or 2020.

Estimates

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

Management considers the estimates of the valuation of donated inventory, including food, beverages, and supplies, as well as donated services and property to be critical accounting policies requiring extensive subjective judgments. The valuation of donated food, beverages, supplies and services is based on quoted valuations, historical experience and price comparisons for similar products and services. Actual results could differ from these estimates under different assumptions or conditions.

Schedule of Expenditures of Federal and State Awards

The accompanying Schedule of Federal and State Awards includes the Federal and State grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Organization has elected to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

Comparative Totals

The consolidated 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. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Reclassifications

Certain items included in the 2020 financial statements have been reclassified to conform to the 2021 presentation. Change in net assets of the Organization previously reported for 2020 were not affected by these reclassifications.

2. LIQUIDITY AND AVAILABILITY

The Organization's working capital and cash flows vary throughout the year due to timing of cash receipts for fees from the Organization's vocational programs and cost-reimbursement grants. The Organization is supported by significant restricted contributions and grants. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. 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 invests cash in excess of daily requirements into a sweep account and through money market accounts and short-term certificates of deposit. Additionally, to help manage unanticipated liquidity needs and as discussed in more detail in Note 10, the Organization maintains $750,000 and $2,000,000 lines of credit, of which all remained available as of June 30, 2021 and 2020.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts with donor restrictions for time or purpose.

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	$ 10,521,146	$ 10,156,981
Accounts and other receivables	397,297	335,913
Promises to give and grants receivable	130,337	89,449
	11,048,780	10,582,343
Less amounts not available to be used within one year, due to:		
Donor-imposed restrictions	(4,028,094)	(2,253,660)
Financial assets available to meet general expenditures within one year	$ 7,020,686	$ 8,328,683

3. PROPERTY HELD FOR SALE

During the fiscal year ended June 30, 2021 and 2020, the Board of Directors voted to sell two and one properties, respectively, owned by the Organization in Durham, North Carolina. At year-end, sale of the properties was not yet completed. As such, the properties are reported as held for sale on the consolidated statement of financial position. One of these properties was sold subsequent to year end, as disclosed in Note 13.

4. PROPERTY AND EQUIPMENT

Included in furniture, equipment, and software is the net book value of equipment under capital leases, as referenced in Note 6. Included in Net property and equipment is contributed land and buildings lease as referenced in Note 6.

Net property and equipment is summarized as follows at June 30, 2021 and 2020:

	2021	2020
Land	$ 2,248,391	$ 2,270,248
Contributed land and buildings lease	1,341,500	-
Buildings and improvements	27,394,897	22,362,957
Furniture, equipment, and software	1,762,883	1,743,068
Vehicles	4,468,677	4,311,032
Construction in progress	886,653	3,767,524
	38,103,001	34,454,829
Less accumulated depreciation and amortization	(14,716,638)	(13,131,067)
Net property and equipment	$ 23,386,363	$ 21,323,762

5. REFUNDABLE ADVANCES – GRANTS

During 2019, the Organization received a cost-reimbursement grant totaling $6,000,000, restricted for the development and construction of a new satellite facility in the Triad area of North Carolina. $2,100,000 was advanced in February 2019 and at June 30, 2021 and 2020, $994,175 and $1,795,364, respectively, remained unexpended and is classified as a current liability in the accompanying consolidated statement of financial position. The grant ends on June 30, 2022.

Seventy-one and sixty-seven percent of grant revenue reflected in the statement of activities for the years ended June 30, 2021 and 2020, respectively, was from this grantor, the Department of Health and Human Services.

6. LEASES

Contributed Land and Buildings Lease

During 2021, the Organization entered into an assignment of lease agreement for the Triad campus in Winston-Salem, North Carolina from Forsyth County through November 30, 2061 for annual rent of $1. In accordance with FASB Codification Subtopic 958-605 *Not-for-Profit Entities—Revenue Recognition—Contributions,* a contribution equal to the fair value of the assets is recorded upon execution of the lease. The Organization is temporarily subleasing the property rent-free to the former tenant through September 30, 2021.

Additionally, the Organization agreed to pay the Assignor $375,000 for improvements made to the property, a portion of which was paid, with the remaining amount accrued during 2021. The entire amount is included in construction in progress in the accompanying consolidated statement of financial position. Also included as part of this agreement, the Organization agreed to share costs with the lessor to upgrade pump stations to increase residential capacity. As of June 30, 2021, the cost of these upgrades could not be estimated.

6. LEASES *(Continued)*

Contributed Land and Buildings Lease (Continued)

There are several restrictive covenants contained in the agreement including requirements to maintain adequate insurance, the Organization must continue to provide substance abuse treatment services on the premises and commit to make additional capital improvements to the premises for the purpose of expanding and improving the delivery of substance abuse treatment services for those who are chemically dependent in and around Forsyth County. The lease shall be terminated following a notice & an opportunity to cure period of 6 months if the premises are no longer used for the above purposes.

Other Operating and Capital Leases

In February 2021, the Organization also entered a 10-year lease agreement for the Triad Thrift store property, with the lease commencing upon completion of certain demolition work to be done by current lessor, which had not occurred at June 30, 2021. Under this agreement, the Organization paid a security deposit of $75,978.

The Organization leases equipment, buildings, dumpsters, and warehouse space under non-cancelable operating lease agreements expiring in 2024. Lease expense relating to these leases was $82,581 and $93,342 for the years ended June 30, 2021 and 2020, respectively.

The Organization also leases equipment under capital lease agreements expiring in 2025. The assets and liabilities under the capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the related lease term or the estimated productive life. Amortization of the equipment under the capital leases was $18,022 and $11,410 for the years ended June 30, 2021 and 2020, respectively.

The equipment and related accumulated amortization as of June 30 are as follows:

	2021	2020
Equipment	$ 136,959	$ 136,959
Less accumulated amortization	(47,869)	(29,847)
	$ 89,090	$ 107,112

Future minimum lease payments under the non-cancelable operating leases, including the financial impact of escalation clauses, and the present value of future minimum lease payments under capital leases are as follows:

Year ending June 30,	Operating Leases	Capital Leases
2022	78,076	39,134
2023	17,192	37,112
2024	5,115	27,409
2025	-	2,638
Total minimum lease payments	$ 100,383	$ 106,293
Less amount representing interest		(25,206)
Present value of net minimum capital lease payments		$ 81,087
Less current maturities		(25,182)
Obligations under capital leases, less current maturities		$ 55,905

7. REFUNDABLE ADVANCES

Refundable advances are summarized as follows as of June 30, 2021 and 2020:

	2021	2020
North Carolina Housing Finance Agency Refundable advance, secured by a deed of trust on the property and assignment of rents and leases. Assuming the Organization complies with applicable restrictions and covenants, the advance will be forgiven in 10% increments beginning in 2024 and will be entirely forgiven by November 2033.	$ 120,000	$ 120,000
North Carolina Housing Finance Agency Refundable advance, secured by a deed of trust on the property and assignment of rents and leases. Assuming the Organization complies with applicable restrictions and covenants, the advance will be forgiven in 10% increments beginning in 2028 and will be entirely forgiven by November 2037.	70,450	70,450
PNC Bank, National Association Refundable advance, secured by a deed of trust on the property and assignment of rents and leases pursuant to the Federal Home Loan Bank Act. Assuming the Organization complies with applicable restrictions and covenants, the advance will be forgiven in full in October 2027.	300,000	300,000
Total refundable advances	$ 490,450	$ 490,450

8. LONG-TERM DEBT

Long term debt is summarized as follows at June 30, 2021 and 2020:

	2021	2020
North Carolina Housing Finance Agency Non-interest bearing note payable, due December 2037 in monthly installments of $794, with a face amount of $156,564 net of unaccreted discount of $63,362 (effective interest rate, 6.9%) as of June 30, 2021, secured by a deed of trust on property and assignment of rents and leases.	$ 93,202	$ 96,186
City of Durham Non-interest bearing note payable, due April 2035 in monthly installments of $769, with a face amount of $128,948 net of unaccreted discount of $40,129 as of June 30, 2021 (effective interest rate, 5.6%) secured by real property and assignment of rents and leases.	88,819	92,966

8. LONG-TERM DEBT *(Continued)*

	2021	2020
Truist		
Acquisition and construction loan in the name of TROSA Commercial, Inc. with a fixed interest rate of 3.99% due in monthly installments of $15,707, maturing September 2024, secured by real property. Guaranteed by TROSA, Inc. During 2020, Truist approved a deferral of principal payments due to the COVID-19 pandemic. The terms of the agreement provided for interest only payments with deferral of principal payments for April, May, and June 2020 with the deferred principal to be due at time of final payment on the loan.	613,917	769,911
North Carolina Housing Finance Agency		
Non-interest bearing note payable, due in full at maturity (October 2042), with a face amount of $500,000 net of unaccreted discount of $249,402 as of June 30, 2021 (effective interest rate, 3.25%), secured by real property and assignment of rents.	250,598	242,595
	$1,046,536	$1,201,658
Less current portion	(176,394)	(169,337)
Long-term portion	$ 870,142	$1,032,321

Future maturities of long-term debt at June 30, 2021 are summarized as follows:

Year ending June 30,	
2022	$ 176,394
2023	183,748
2024	191,414
2025	95,680
2026	9,687
Thereafter	389,613
	$1,046,536

Certain agreements contain various restrictive covenants, including requirements regarding minimum cash to debt ratio, filing of annual compliance certificates, maintaining documentation related to low-income housing calculations and maintaining replacement reserve deposits. The Organization was in compliance with restrictive covenants contained in the debt agreements at June 30, 2021 and 2020.

The discount on the applicable loans is accreted to interest expense over the lives of the loans. The aggregate remaining unaccreted discount as of June 30, 2021 and 2020 was $352,893 and $372,522, respectively. Imputed interest expense of $19,372 and $19,795 is reported in the accompanying consolidated statement of functional expenses for the years ended June 30, 2021 and 2020, respectively.

8. LONG-TERM DEBT *(Continued)*

Construction Loans

In September 2020, the Organization entered into a loan commitment for permanent financing of $251,968 with NCHFA for the construction of two congregate living buildings to provide sixty-one beds to provide housing for female participants of the Organization's long-term residential substance abuse program to be known as TROSA T-East Phase I. The non-interest bearing loan will be payable in full 30 years from the date of closing and will be secured by a deed of trust on the property and subject to certain deed restrictions.

9. LINES OF CREDIT

The Organization has available an unsecured revolving line of credit in the amount of $750,000 for the years ended June 30, 2021 and 2020. Starting in March 2021, interest accrued at the bank's prime rate minus ¼ of a percent but never lower than 3%. For the year ended June 30, 2020, interest accrued at 2.25% above the 30-day LIBOR (0.09% and 0.18% at June 30, 2021 and 2020, respectively). There was no outstanding balance at June 30, 2021 or 2020, and the line expires on March 10, 2023.

The Organization also has available a revolving line of credit in the amount of $2,000,000 for the years ended June 30, 2021 and 2020. Interest accrues at a rate based on the lender's Prime Rate (3% at June 30, 2021 and 2020). The line was collateralized by a first deed of trust on certain real property. There was no outstanding balance at June 30, 2021 or 2020, and the line expires on April 23, 2022.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods as of June 30, 2021 and 2020:

	2021	2020
Restricted in perpetuity - donated land	$ 100,000	$ 100,000
Restricted for purpose:		
Food commodities	1,191	5,982
Education	1,145	-
Resident Life	5,000	13,000
T-East	293,180	-
Triad	1,929,265	1,818,025
Thrift	123	205
Dental	53,297	43,288
COVID-19 Relief	-	638
Founder's Fund	50,500	-
Contributed Land and Buildings Lease	1,341,500	-
NCHFA Housing Program	63,362	69,906
City of Durham Housing Program	40,129	45,211
NCHFA Housing Program - Dormitories	249,402	257,405
Total restricted for purpose	4,028,094	2,253,660
Total net assets with donor restrictions	$ 4,128,094	$ 2,353,660

10. NET ASSETS WITH DONOR RESTRICTIONS *(Continued)*

Title of certain land and building, with a carrying value of $100,000, was transferred from Durham County (the "County) in 1994. Under the terms of this agreement, title will revert back to the County if it ceases to be used for the purpose of conducting community education, development, revitalization, drug treatment, and recreational activities or for any other purpose for which the County could use the property as a governmental entity.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Food commodities	$ 26,837	$ 112,164
Education	855	2,059
Resident Life	13,000	8,000
T-East	-	250,000
Triad	63,760	4,436
Thrift	1,082	669
Dental	72,271	28,364
COVID-19 Relief	638	54,362
NCHFA Housing Program	6,544	6,742
City of Durham Housing Program	5,082	5,306
NCHFA Housing Program - Dormitories	7,747	7,747
	$ 197,816	$ 479,849

11. RETIREMENT PLAN

Employees of the Organization may participate in an Internal Revenue Code section 403(b) retirement savings plan. The plan was funded solely by employee contributions to the plan, pursuant to a salary reduction agreement, until October 1, 2014 when the Organization began providing an employer match. The match is dollar for dollar for the first 3% and fifty cents on the dollar for the next 2% with a maximum match of 4%. An employee must contribute to receive the match. Contributions to the plan during the year ended June 30, 2021 and 2020 were $136,319 and $126,121, respectively.

Effective July 1, 2016, the Organization also sponsors an Internal Revenue Code Section 457(b) defined contribution retirement plan covering key managerial employees who meet eligibility requirements regarding service and age. The fair value of contributions to the plan for the year ended June 30, 2021 and 2020 were $26,325 and $38,533, respectively.

12. CONTINGENCIES

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's employees and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

13. SUBSEQUENT EVENTS

In July 2021, the Organization entered into a conditional commitment for permanent financing of $600,000 with NCHFA for the construction of two congregate living buildings to provide ninety-six beds to provide housing for participants of the Organization's long-term residential substance abuse program to be known as TROSA's Triad Expansion. The non-interest bearing loan will be payable in full 30 years from the date of closing and will be secured by a deed of trust on the property and subject to certain deed restrictions.

On September 17, 2021, the Organization sold a property for $214,500. This property was classified as held for sale at June 30, 2021.

Management has evaluated subsequent events through September 23, 2021, the date which the consolidated financial statements are available for issue.

TRIANGLE RESIDENTIAL OPTIONS FOR SUBSTANCE ABUSERS, INC.
AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

for the year ended June 30, 2021

Federal/State Grantor/Pass Through Grantor/Program	Assistance Listing Number	Pass Through Grantor's Identifying Number	Federal & State Expenditures
Federal Awards:			
U.S. Department of Health and Human Service			
Passed through NC Department of Health and Human Services			
Substance Abuse Prevention and Treatment Block Grant	93.959	41242	$ 1,600,000
U.S. Department of the Treasury			
Passed through the North Carolina Office of State Budget and Management, North Carolina Pandemic Recovery Office			
COVID-19, Coronavirus Relief Fund	21.019	111-00	500,000
U.S. Department of Agriculture			
Passed through NC Department of Agriculture			
Emergency Food Assistance Program (Food Commodities)	10.569	18-004-2107	26,837
Department of Veterans Affairs - VA Health			
Passed through the Durham VA Medical Center			
VA Homeless Providers Grant and Per Diem Program	64.024	558-CT-18-0	17,849
VA Homeless Providers Grant and Per Diem Program	64.024	558-PD-21	54,261
			72,110
TOTAL FEDERAL AWARDS			2,198,947
State Awards:			
NC Department of Health and Human Services Division of Budget & Analysis	N/A	41242	1,625,000
NC Department of Health and Human Services Division of Mental Health, Developmental Disabilities and Substance Abuse Services	N/A	00038147	801,190
Alliance Health	N/A	N/A	350,000
TOTAL STATE AWARDS			2,776,190
TOTAL FEDERAL AND STATE AWARDS			$ 4,975,137

Langdon & Company LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Triangle Residential Options for Substance Abusers, Inc. and Affiliates

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Triangle Residential Options for Substance Abusers, Inc. and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2021. The financial statements of TROSA Commercial, Inc., and TROSA Residential, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with TROSA Commercial, Inc. or TROSA Residential, Inc.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

223 Highway 70, East Pointe, Suite 100, Garner, NC 27529
P: 919-662-1001 | F: 919-662-1002 | www.langdoncpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Langdon & Company LLP

Garner, North Carolina
September 23, 2021

Langdon & Company LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Triangle Residential Options for Substance Abusers, Inc. and Affiliates

Report on Compliance for the Major Federal Program

We have audited Triangle Residential Options for Substance Abusers, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2021. TROSA, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for TROSA, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TROSA, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of TROSA, Inc.'s compliance.

Opinion on the Major Federal Program

In our opinion, TROSA, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

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P: 919-662-1001 | F: 919-662-1002 | www.langdoncpa.com

Report on Internal Control Over Compliance

Management of TROSA, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered TROSA, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TROSA, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Langdon & Company LLP

Garner, North Carolina
September 23, 2021

TRIANGLE RESIDENTIAL OPTIONS FOR SUBSTANCE ABUSERS, INC. AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the consolidated financial statements of Triangle Residential Options for Substance Abusers, Inc. and Affiliates (the "Organization") were prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

2. No significant deficiencies disclosed during the audit of the consolidated financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the consolidated financial statements of the Organization, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies in internal control over major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.

5. The auditor's report on compliance for the major federal award program expresses an unmodified opinion on the major federal program.

6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.

7. The program tested as a major program is:

   U.S. Department of the Treasury – Coronavirus Relief Fund – CFDA #21.019

8. The threshold used for distinguishing Type A and B programs was $750,000.

9. The Organization qualifies as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None