

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

---

**CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended June 30, 2023**

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

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**Langdon & Company** <sup>LLP</sup>  
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 Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Triangle Residential Options for Substance Abusers, Inc. (a nonprofit organization) and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of TROSA Commercial, Inc. and TROSA Residential Inc. were not audited in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 opinions.

#### ***Changes in Accounting Principle***

As described in Note 1 to the consolidated financial statements, the Organization adopted ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government 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 and *Government 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 consolidated 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 consolidated 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.

### ***Supplementary Information***

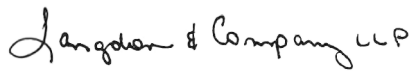
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, 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 schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023, on our consideration of the Organization's 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 solely 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 the Organization's internal control over financial reporting and compliance.

### **Report on Summarized Comparative Information**

We have previously audited the Organization's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Handwritten signature of Jangdon & Company LLP in cursive script.

Garner, North Carolina

September 26, 2023

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**June 30, 2023  
with comparative totals as of June 30, 2022**

	<b>ASSETS</b>			<b>LIABILITIES AND NET ASSETS</b>	
	<b>2023</b>	<b>2022</b>		<b>2023</b>	<b>2022</b>
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 8,313,210	\$ 22,748,604	Accounts payable	\$ 1,716,948	\$ 2,530,378
Replacement reserves	174,835	162,009	Accrued expenses	506,496	490,724
Investments	10,471,058	-	Funds held for residents	29,756	82,343
Accounts receivable (less allowance for doubtful accounts of \$25,359 and \$59,660 at June 30, 2023 and 2022, respectively)	374,089	430,373	Current portion of long-term debt	192,342	184,656
Grants receivable	166,243	2,889,176	Refundable advances - grant	7,909,761	9,854,355
Other receivables - short term	158,024	159,647	Current maturities of obligations under capital leases	-	28,524
Prepaid expenses	218,665	209,910	Current portion of financing lease liabilities (Note 7)	248,214	-
Inventory	1,332,600	1,290,969	Current portion of operating lease liabilities (Note 7)	516,532	-
Other assets	184,811	150,644	Total current liabilities	11,120,049	13,170,980
Property held for sale	45,876	-	Long-term liabilities:		
Total current assets	21,439,411	28,041,332	Refundable advances	490,450	490,450
Noncurrent assets:			Long-term debt, less current portion	658,870	842,248
Property and equipment, net	40,286,288	32,209,859	Obligations under capital leases, less current maturities	-	2,492,936
Operating right-of-use assets (Note 7)	672,608	-	Financing lease liabilities (Note 7), less current portion	2,348,388	-
Deposits receivable	46,602	76,928	Operating lease liabilities (Note 7), less current portion	268,988	-
Total noncurrent assets	41,005,498	32,286,787	Total long-term liabilities	3,766,696	3,825,634
			Total liabilities	14,886,745	16,996,614
			Net assets:		
			Without donor restrictions		
			Undesignated	45,087,493	40,222,064
			Board designated	410,442	406,294
				45,497,935	40,628,358
			With donor restrictions:		
			Purpose restricted	2,060,229	2,703,147
				2,060,229	2,703,147
			Total net assets	47,558,164	43,331,505
Total assets	\$ 62,444,909	\$ 60,328,119	Total liabilities and net assets	\$ 62,444,909	\$ 60,328,119

*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, 2023  
with comparative totals for 2022**

	2023			2022
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	<u>Totals</u>
Public support and revenue:				
Public support:				
Contributions	\$ 1,370,630	\$ 297,750	\$ 1,668,380	\$ 2,292,261
Grants	9,478,532	14,952	9,493,484	9,413,648
Donated materials, services and property	3,636,383	45,177	3,681,560	3,302,262
Total public support	<u>14,485,545</u>	<u>357,879</u>	<u>14,843,424</u>	<u>15,008,171</u>
Revenue:				
Net vocational programs revenue	10,638,015	-	10,638,015	9,675,314
Meals program revenue	910,029	-	910,029	941,983
Graduate program revenue	230,710	-	230,710	213,203
(Loss) gain on disposal/sale of fixed assets	(190,010)	-	(190,010)	4,875,479
Insurance reimbursements	194,190	-	194,190	-
Investment income, net	369,729	-	369,729	972
Total revenue	<u>12,152,663</u>	<u>-</u>	<u>12,152,663</u>	<u>15,706,951</u>
Net assets released from restrictions	<u>1,000,797</u>	<u>(1,000,797)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>27,639,005</u>	<u>(642,918)</u>	<u>26,996,087</u>	<u>30,715,122</u>
Expenses:				
Program services	21,231,279	-	21,231,279	18,657,316
Supporting services:				
Management and general	975,603	-	975,603	972,814
Fundraising	562,546	-	562,546	678,582
Total supporting services	<u>1,538,149</u>	<u>-</u>	<u>1,538,149</u>	<u>1,651,396</u>
Total expenses	<u>22,769,428</u>	<u>-</u>	<u>22,769,428</u>	<u>20,308,712</u>
Changes in net assets	4,869,577	(642,918)	4,226,659	10,406,410
Net assets at beginning of year	<u>40,628,358</u>	<u>2,703,147</u>	<u>43,331,505</u>	<u>32,925,095</u>
Net assets at end of year	<u>\$ 45,497,935</u>	<u>\$ 2,060,229</u>	<u>\$ 47,558,164</u>	<u>\$ 43,331,505</u>

*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, 2023  
with comparative totals for 2022**

	2023			2022	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Grand Totals</u>	<u>Totals</u>
Salaries, tax and benefits	\$ 4,947,292	\$ 595,923	\$ 311,816	\$ 5,855,031	\$ 5,645,179
Resident expenses	6,233,018	-	-	6,233,018	5,710,607
Supplies	414,085	6,795	35,785	456,665	470,024
Insurance	852,115	29,081	5,744	886,940	756,751
Auto expenses	442,446	813	213	443,472	375,867
Utilities and security	1,243,181	19,438	5,651	1,268,270	1,083,478
Vocational programs expense	1,568,867	-	-	1,568,867	1,429,123
Maintenance and repairs	1,288,922	1,216	2,572	1,292,710	987,262
Property and equipment rent	736,587	432	1,456	738,475	210,398
Telephone	155,024	5,996	4,843	165,863	170,688
Contract services and professional fees	478,796	171,213	129,791	779,800	865,590
Bank fees	238,172	7,044	-	245,216	203,003
Interest expense	31,508	215	1,330	33,053	77,408
Small equipment	381,724	10,362	512	392,598	92,993
Taxes and licenses	192,404	39,606	26,688	258,698	249,577
Meals and travel	83,579	7,084	1,288	91,951	45,107
Dues and subscriptions	16,991	4,627	2,551	24,169	13,962
Training expense	31,332	3,878	887	36,097	42,119
Office expense	41,144	13,264	15,294	69,702	105,092
Advertising	25,522	955	6,886	33,363	34,942
Depreciation and amortization	1,828,570	57,661	9,239	1,895,470	1,739,542
Total expenses	\$ 21,231,279	\$ 975,603	\$ 562,546	\$ 22,769,428	\$ 20,308,712

*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, 2023  
with comparative totals for 2022**

	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Cash received from grantors and contributors	\$ 11,925,251	\$ 17,789,328
Cash received from clients and third-party payers	11,976,603	10,612,601
Cash paid to suppliers and employees	(19,625,925)	(15,492,376)
Interest received	72,552	972
Interest paid	(14,902)	(4,104)
Net cash provided by operating activities	4,333,579	12,906,421
Cash flows from investing activities:		
Purchases of property and equipment	(8,088,095)	(7,243,578)
Proceeds from sales of property and equipment	16,194	6,689,986
Sales of investments	2,511,019	-
Purchases of investments	(12,613,590)	-
Replacement reserve deposits	(12,826)	(15,501)
Net cash used in investing activities	(18,187,298)	(569,093)
Cash flows from financing activities:		
Repayment of debt	(303,205)	(247,807)
Proceeds from issuance of debt	-	154,918
Repayment of obligations under financing leases	(278,470)	(16,981)
Net cash used in financing activities	(581,675)	(109,870)
Net (decrease) increase in cash	(14,435,394)	12,227,458
Cash at beginning of year	22,748,604	10,521,146
Cash at end of year	\$ 8,313,210	\$ 22,748,604
Supplemental schedule of noncash investing and financing activities:		
Contributed property and equipment	\$ 366,849	\$ 265,042
Acquisition of property and equipment under financing lease	353,612	2,457,354
	\$ 720,461	\$ 2,722,396

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**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 and Winston-Salem, North Carolina. The Organization serves individuals, age 18 and older, at no cost. 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.

**Investments**

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets.

**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.

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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**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**

*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.

Approximately 51% and 72% of grant revenue reflected in the statement of activities for the years ended June 30, 2023 and 2022, respectively, were from one grantor, the Department of Health and Human Services. For the year ended June 30, 2023 and 2022, respectively, 71% and 94% of grants receivable were due from one grantor.

The Organization received funding through various grantors for the year ended June 30, 2023 and 2022 which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract and grant provisions. The Organization's grant commitments that are conditional upon incurring allowable expenditures in the agreements are \$1,234,495 and \$2,945,842 as of June 30, 2023 and 2022, respectively.

In 2023 and 2022, the Organization recognized contributions and grants of \$6,074,727 and \$6,379,323, respectively, that went towards the purchase or construction of property and equipment, which is reflected on the accompanying consolidated statement of financial position.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**Revenue Recognition and Receivables (Continued)**

*Donated Assets and Services*

The Organization received the following donated assets and services for the year ending June 30:

	<u>2023</u>	<u>2022</u>
Clothing, materials, and supplies	\$ 1,484,685	\$ 1,490,053
Food	1,791,327	1,399,731
Property and equipment	50,430	198,455
Contribution portion of zero interest loan (Note 9)	-	105,364
Labor	316,419	66,587
IT services	38,699	42,072
	<u>\$ 3,681,560</u>	<u>\$ 3,302,262</u>

Donations of clothing, materials, and supplies are either monetized or utilized by the Organization. Donated clothing, materials, and supplies, when utilized, are used in the Organization's programs and are valued by researching the price of similar items. Donated clothing, materials, and supplies utilized in the thrift store are valued using the historical sales of similar inventory.

Donated food is utilized for the Organization's programs. Donated food is valued by researching the price of similar items. In the case of an item where this information is not available, like bulk food donations, the Organization applies a per pound value determined by Feed the Children at the beginning of the year.

Donated property and equipment are utilized by the Organization for their programs and is valued through appraisals.

The Organization entered into a zero-interest loan during the year ended June 30, 2022, secured by one of its residential properties. See Note 9 for description of loan. The residential property is utilized for the Organization's programs. The imputed interest for the loan was calculated based on the Organization's incremental borrowing rate and is recorded as a contribution in the accompany consolidated statement of activities.

The Organization recognizes the fair value of contributed labor and 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. Contributed labor is valued based on the average volunteer hourly rate in the state of North Carolina and are utilized in the Organization's programs. Contributed services received during the year related to IT services and are utilized for the Organization's programs. Contributed services are valued based on the current rates for similar services.

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.

Donations of marketable securities are monetized promptly upon receipt.

**TRIANGLE RESIDENTIAL OPTIONS FOR SUBSTANCE ABUSERS, INC.  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**Revenue Recognition and Receivables (Continued)**

*Net Vocational Program Revenue*

Net vocational program revenue includes revenue from moving and storage services, lawn care, Christmas tree lots, and thrift store. All contracts are for less than one year and the Organization recognizes revenue related to net vocational program revenue when control transfers to the customer, at a point in time.

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 benefits 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.

**Property and Equipment**

Property and equipment are stated at cost if purchased and at fair value at the date of contribution of assets donated to the Organization. The Organization capitalizes additions of property and equipment in excess of \$2,000 cost or fair value. Annual depreciation is computed using the straight line method.

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.

**Leases**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**Lease (Continued)**

The Organization adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

For transition, the Organization has elected to adopt the package of practical expedients, which includes not to reassess: 1) whether any expired or existing contracts are or contain leases available in the year of adoption, 2) the lease classification for any expired or existing lease 3) initial direct costs on any existing leases, as well as the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

The Organization determines if an arrangement is a lease at inception. Operating leases are included in Operating right-of-use assets and Operating lease liabilities in the consolidated statement of financial position. Finance leases are included in property and equipment and Financing lease liabilities in the consolidated statement of financial position.

Right-of-use asset represents the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the consolidated statement of financial position. Some of the lease contracts have a discount rate that is implicit in the lease, for those leases, the implicit discount rate is used in determining the present value of those lease liabilities. For the individual lease contracts that do not provide information about the discount rate implicit in the lease, the Organization uses the incremental borrowing rate based on the information available at the commencement date in determining the present value of those lease liabilities. In addition, the Organization has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

**Advertising Expenses**

The cost of advertising is charged to expense as incurred. Advertising expense amounted to \$33,363 and \$34,942 for the years ended June 30, 2023 and 2022, 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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**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, 2023 and 2022.

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, 2023 or 2022.

**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, property, and rent to be critical accounting policies requiring extensive subjective judgments. The valuation of donated food, beverages, supplies, services, property, and rent 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, 2022, from which the summarized information was derived.

**Reclassifications**

Certain items included in the 2022 consolidated financial statements have been reclassified to conform with the 2023 presentation. Change in net assets of the Organization previously reported for 2022 were not affected by these reclassifications.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**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 9, the Organization maintains \$750,000 and \$2,000,000 lines of credit. The Organization had no outstanding balance for lines of credit as of June 30, 2023 and 2022.

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.

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 8,313,210	\$22,748,604
Investments	10,471,058	-
Accounts and other receivables	532,113	590,020
Promises to give and grants receivable	166,243	2,889,176
	<u>19,482,624</u>	<u>26,227,800</u>
Less amounts not available to be used within one year, due to:		
Donor-imposed restrictions	(2,060,229)	(2,703,147)
	<u>\$17,422,395</u>	<u>\$23,524,653</u>

**3. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Investments are stated at fair value and consist of US Treasury Bills with staggered maturity dates. The fair value at June 30, 2023 is \$10,471,058.

The framework for measuring the fair value provides a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

*Level 1* – valuations based on unadjusted quoted prices within active markets for identical assets and liabilities at the reporting date.



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

*Level 2* – valuations based on inputs that are observable, either directly or indirectly, for the assets or liabilities other than quoted prices included in level 1.

*Level 3* – valuations based on inputs that are unobservable and apply only when there is little or not market activity for the asset or liability.

Fair values for assets measured on a recurring bases are as follows:

US Treasury Bills are considered a level 1 investment.

For the years ended June 30, 2023 and 2022, respectively, income from interest and dividends of \$298,419 and \$972, were included in investment income. For the year ended June 30, 2023 realized and unrealized gains, net of fees of \$71,310 were included in investment income.

**4. PROPERTY HELD FOR SALE**

During the fiscal year ended June 30, 2023, the Organization entered into a contract to sell a property owned by the Organization in Durham, North Carolina. At year end, the sale of the property was not yet completed. As such, the property is reported as held for sale on the consolidated statement of financial position. The property was sold subsequent to year end as disclosed in Note 14.

**5. PROPERTY AND EQUIPMENT**

Property and equipment in the accompanying consolidated financial statements is presented net of accumulated depreciation. The components of property and equipment at June 30, 2023 and 2022 are as follows:

Net property and equipment is summarized as follows at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 2,645,781	\$ 2,351,711
Contributed land and buildings lease	1,380,604	1,397,985
Buildings and improvements	36,436,253	29,087,996
Furniture, equipment, and software	1,730,268	1,676,960
Vehicles	5,727,614	4,618,492
Construction in progress	9,372,448	8,444,414
	57,292,968	47,577,558
Less accumulated depreciation and amortization	(17,006,680)	(15,367,699)
Net property and equipment	\$ 40,286,288	\$ 32,209,859

Interest expense capitalized was \$109,314 for the year ended June 30, 2023.

**6. REFUNDABLE ADVANCES – GRANTS**

During 2022, the Organization received a cost-reimbursement grant totaling \$11,000,000, restricted for Phase II of the Triad Development Project. The entire grant amount was advanced in April 2022 and at June 30, 2023 and 2022, respectively, \$7,091,110 and \$9,854,355 remained unexpended and is classified as a current liability in the accompanying consolidated statement of financial position. The grant ends on June 30, 2028.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**6. REFUNDABLE ADVANCES – GRANTS (Continued)**

During 2023, the Organization received a cost-reimbursement grant totaling \$1,000,000, restricted for the development and construction of additional housing units on its Durham campus. At June 30, 2023, \$818,651 of advances remained unexpended and is classified as a current liability in the accompanying consolidated statement of financial position. The grant ends on June 30, 2024.

**7. 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 temporarily subleased the property rent-free to the former tenant through May 2022.

Additionally, the Organization paid the Assignor \$375,000 for improvements made to the property. The entire amount is included in property and equipment in the accompanying consolidated statement of financial position. As of June 30, 2022, \$187,500 remained in accounts payable in the accompany consolidated statement of financial position, which was paid during the year.

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.

*Sale-Leaseback*

During 2022, the Organization sold a property and entered into an agreement to leaseback the property for one year. As the Organization retains the rights to only a minor portion of the remaining use of the property sold, therefore, the sale and lease transactions are accounted for separately. The gain of \$3,549,378 for the sale is recognized in the accompanying consolidated statement of activities for the year ended June 30, 2022 and included in gain on sale of fixed assets.

*Operating Leases*

The Organization leases a building under a non-cancelable operating lease agreement expiring January 11, 2025. This lease does not contain any additional renewal options.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**7. LEASES (Continued)**

*Operating Leases (Continued)*

Additional information about the Organization's operating leases is as follows:

<b><u>Lease Cost</u></b>	
Operating lease cost	\$ 468,362
 <b><u>Other Information</u></b>	
Cash paid for amounts included in measuring operating lease liabilities:	
Operating cash flows from operating leases	\$ 355,450
Right-of-use assets obtained in exchange for new operating lease liabilities	
	\$ 1,094,083
Weighted average remaining lease term	1.5 years
Weighted average discount rate	4.75%

Lease expense relating to operating leases for the year ended June 30, 2022 was \$90,096.

Future minimum lease payments under non-cancellable operating leases are as follows:

<b><u>Year ending June 30,</u></b>	
2024	\$ 542,727
2025	<u>272,727</u>
Total lease payments	\$ 815,454
Less interest	<u>29,934</u>
Present value of lease liabilities	<u>\$ 785,520</u>

*Finance Leases*

In February 2021, the Organization entered a 10-year lease agreement for the Triad thrift store property, with the lease commencing October 1, 2021, and rental payments commencing March 1, 2022. This lease contains two renewal options for five years each. Renewal of this lease is at the discretion of the Organization. The Organization also leases equipment under financing lease agreements expiring in 2025. These leases contain renewal options for one to five years. Renewal of the leases is at the discretion of the Organization. Only renewal options that have been exercised or are reasonably expected to be recognized as of the statement of financial position date are recognized in the right-of-use assets and financing lease liabilities calculation.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**7. LEASES (Continued)**

*Finance Leases (Continued)*

Additional information about the Organization's financing leases is as follows:

**Lease Cost**

Finance lease cost:

Amortization of financing right-of-use assets, included in depreciation and amortization expense	\$ 263,681
Interest on lease liabilities, a portion of which is capitalized and a portion of which is included in interest expense	100,269

**Other Information**

Cash paid for amounts included in measuring  
financing lease liabilities:

Operating cash flows from financing leases	\$ 100,269
Financing cash flows from financing leases	\$ 278,470
Weighted average remaining lease term	8.7 years
Weighted average discount rate	3.79%

Future minimum lease payments under non-cancellable financing leases are as follows:

**Year ending June 30,**

2024	\$ 340,864
2025	323,043
2026	328,424
2027	334,857
2028	345,996
Thereafter	<u>1,376,491</u>
Total lease payments	\$ 3,049,675
Less interest	<u>453,073</u>
Present value of lease liabilities	<u>\$ 2,596,602</u>

The property and equipment and related accumulated amortization, which are included in property and equipment, net on the Statement of Financial Position as of June 30, 2023, and 2022 are as follows:

	<b><u>2023</u></b>	<b><u>2022</u></b>
Building	\$ 2,457,354	\$ 2,457,354
Equipment	123,475	141,459
Less accumulated amortization	<u>(495,902)</u>	<u>(241,361)</u>
	<u>\$ 2,084,927</u>	<u>\$ 2,357,452</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**8. REFUNDABLE ADVANCES**

Refundable advances are summarized as follows as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<b>North Carolina Housing Finance Agency</b>		
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
<b>North Carolina Housing Finance Agency</b>		
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
<b>PNC Bank, National Association</b>		
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.	<u>300,000</u>	<u>300,000</u>
Total refundable advances	<u>\$ 490,450</u>	<u>\$ 490,450</u>

**9. LONG-TERM DEBT**

Long term debt is summarized as follows at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<b>North Carolina Housing Finance Agency</b>		
Non-interest bearing note payable, due December 2037 in monthly installments of \$794, with a face amount of \$137,514 net of unaccreted discount of \$50,934 (effective interest rate, 6.9%) as of June 30, 2023, secured by a deed of trust on property and assignment of rents and leases.	\$ 86,580	\$ 90,005

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**9. LONG-TERM DEBT (Continued)**

	<u>2023</u>	<u>2022</u>
<b>City of Durham</b>		
Non-interest bearing note payable, due April 2035 in monthly installments of \$769, with a face amount of \$109,077 net of unaccreted discount of \$29,276 as of June 30, 2023 (effective interest rate, 5.6%) secured by real property and assignment of rents and leases.	\$ 79,801	\$ 84,436
<b>Truist</b>		
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. 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.	273,625	447,206
<b>North Carolina Housing Finance Agency</b>		
Non-interest bearing note payable, due in full at maturity (October 2042), with a face amount of \$500,000 net of unaccreted discount of \$232,596 as of June 30, 2023 (effective interest rate, 3.25%), secured by real property and assignment of rents.	267,404	258,864
<b>North Carolina Housing Finance Agency</b>		
Non-interest bearing note payable, due June 2052 in monthly installments of \$700, with a face amount of \$246,153, net of unaccreted discount of \$102,351 (effective interest rate 4.0%) as of June 30, 2023, secured by secured by a deed of trust on property and assignment of rents and leases.	143,802	146,393
	\$ 851,212	\$ 1,026,904
Less current portion	(192,342)	(184,656)
Long-term portion	<u>\$ 658,870</u>	<u>\$ 842,248</u>

Future maturities of long-term debt at June 30, 2023 are summarized as follows:

<u>Year ending June 30,</u>	
2024	\$ 192,342
2025	104,463
2026	12,607
2027	13,339
2028	14,116
Thereafter	514,345
	<u>\$ 851,212</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**9. LONG-TERM DEBT (Continued)**

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, 2023 and 2022.

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, 2023 and 2022 was \$415,157 and \$437,195, respectively. Imputed interest expense of \$23,703 and \$19,163 is reported in the accompanying consolidated statement of functional expenses for the years ended June 30, 2023 and 2022, respectively.

**Construction Loans**

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.

In May 2023, the Organization entered into a conditional commitment for permanent financing of \$1,200,000 with NCHFA for the construction of two congregate living buildings with one hundred beds to provide housing for participants of the Organization's two-year residential substance abuse program to be known as TROSA's Triad Expansion Phase Two. 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.

**10. 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, 2023 and 2022. Interest accrued at the bank's prime rate minus  $\frac{1}{4}$  of a percent but never lower than 3%. For the year ended June 30, 2023 and 2022, interest accrued at 8.00% and 4.50%, respectively. There was no outstanding balance at June 30, 2023 or 2022, and the line expires on March 10, 2025.

The Organization also has available a revolving line of credit in the amount of \$2,000,000 for the years ended June 30, 2023 and 2022. Interest accrues at a rate based on the lender's Prime Rate (8.25% and 4.75% at June 30, 2023 and 2022, respectively). The line was collateralized by a first deed of trust on certain real property. There was no outstanding balance at June 30, 2023 or 2022 and the line expires on April 30, 2024.

**11. NET ASSET DESIGNATIONS**

**Founders Fund**

The Board has designated net assets without donor restrictions to sustaining TROSA's transformative impact through special projects and initiatives that will continue TROSA's growth and ensure the legacy of TROSA's founder. These initiatives will include special projects related to expansion, leadership development training for residents and graduates, and expanded education opportunities for residents. Amounts designated are \$410,442 and \$406,294 as of June 30, 2023 and 2022, respectively.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**12. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes or periods as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Restricted for purpose:		
Food commodities	\$ 4,379	\$ -
Education	-	8,285
Resident Life	69,543	126,723
Triad	-	730,420
Dental	5,546	874
HVAC	185,000	-
Contributed Land and Buildings Lease	1,380,604	1,397,985
NCHFA Housing Program	50,934	57,031
City of Durham Housing Program	29,276	35,285
NCHFA Housing Program - Dormitories	232,596	241,391
NCHFA Housing Program - T-East Dormitories	102,351	105,153
Total net assets with donor restrictions	<u>\$ 2,060,229</u>	<u>\$ 2,703,147</u>

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Donated land	\$ -	\$ 100,000
Food commodities	10,573	19,113
Education	8,285	32,859
Resident Life	142,930	19,777
T-East	-	293,181
Triad	730,420	1,438,846
Thrift	-	123
Dental	22,328	53,041
Contributed Land and Buildings Lease	62,558	-
NCHFA Housing Program	6,097	6,331
City of Durham Housing Program	6,009	4,844
NCHFA Housing Program - Dormitories	8,795	8,267
NCHFA Housing Program - T-East Dormitories	2,802	211
	<u>\$ 1,000,797</u>	<u>\$ 1,976,593</u>

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. This land and building was sold in December 2021 and related net assets were released from restrictions for the year ended June 30, 2022.



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**13. 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, 2023 and 2022 were \$140,046 and \$136,401, 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, 2023 and 2022 were \$20,500 and \$22,804, respectively.

**14. SUBSEQUENT EVENTS**

On July 24, 2023, the Organization sold a property located in Durham, North Carolina for \$375,000. The property was classified as held for sale at June 30, 2023.

Management has evaluated subsequent events through September 26, 2023, 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, 2023**

<u>Federal/State Grantor/Pass Through Grantor/Program</u>	<u>Assistance Listing Number</u>	<u>Pass Through Grantor's Identifying Number</u>	<u>Federal &amp; State Expenditures</u>
<b>Federal Awards:</b>			
<u>U.S. Department of Health and Human Service</u>			
Passed through NC Department of Health and Human Services			
Substance Abuse Prevention and Treatment Block Grant	93.959	44420	\$ 1,600,000
<u>Appalachian Regional Commission</u>			
Appalachian Regional Development	23.001	PW-19706-IM-19	254,007
<u>U.S. Department of Agriculture</u>			
Passed through NC Department of Agriculture			
Emergency Food Assistance Program (Food Commodities)	10.569	G20100007611DFC	10,573
<u>Department of Veterans Affairs - VA Health</u>			
Passed through the Durham VA Medical Center			
VA Homeless Providers Grant and Per Diem Program	64.024	558-PD-21	175,393
<u>ARPA</u>			
Passed through Forsyth County	21.027	TET3N4R7TUE3	<u>25,241</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>2,065,214</u>
<b>State Awards:</b>			
NC Department of Health and Human Services			
State Grant-Biannual	N/A	44420	2,499,284
McDonald Hall	N/A	N/A	181,349
NC Department of Health and Human Services			
Division of Mental Health, Developmental Disabilities and Substance Abuse Services	N/A	00038147	583,056
NC Office of State Budget and Management			
Alliance Health	N/A	N/A	<u>350,000</u>
<b>TOTAL STATE AWARDS</b>			<u>6,491,583</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<u>\$ 8,556,797</u>



**Langdon & Company** <sup>LLP</sup>  
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”), (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 26, 2023. 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 compliance and other matters associated with TROSA Commercial, Inc. or TROSA Residential, Inc.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Organization’s internal control over financial reporting (internal control) as a basis for designing 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 or significant deficiencies may exist that were not identified.

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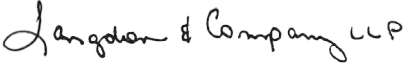
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## **Report on Compliance and Other Matters**

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 consolidated financial statements. 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.

Handwritten signature of Jangdon & Company LLP in cursive script.

Garner, North Carolina

September 26, 2023



**Langdon & Company** <sup>LLP</sup>

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 Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Triangle Residential Options for Substance Abusers, Inc and Affiliate’s (the “Organization”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization’s major federal programs for the year ended June 30, 2023. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization’s federal programs.

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### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Janssen & Company LLP*

Garner, North Carolina

September 26, 2023

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
for the year ended June 30, 2023**

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**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 Health and Human Services – Substance Abuse Prevention and  
Treatment Block Grant – CFDA #93.959
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