

Report to those Charged with Governance

To the Board of Directors
Nexus Recovery Center, Inc.:

We have audited the financial statements of Nexus Recovery Center, Inc. for the years ended August 31, 2021 and 2020, and have issued our report thereon dated January 18, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated March 29, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles (“GAAP”). Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Nexus Recovery Center, Inc.’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the *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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the *State of Texas Single Audit Circular*.

As part of obtaining reasonable assurance about whether Nexus Recovery Center, Inc.’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with the *Uniform Guidance* and the *State of Texas Single Audit Circular*, we examined, on a test basis, evidence about Nexus Recovery Center Inc.’s compliance with the types of compliance requirements described in the *Uniform Guidance* and the *State of Texas Single Audit Circular* applicable to each of its major federal and state programs for the purpose of expressing an opinion on Nexus Recovery Center, Inc.’s compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Nexus Recovery Center, Inc.’s compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated March 29, 2021.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Nexus Recovery Center, Inc. are described in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended August 31, 2021, other than the implementation of Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments.

The most sensitive accounting estimates the financial statements include are:

- Collectability of receivables
- Valuation of investments
- Depreciation of property and equipment
- Functional allocation of expenses

We evaluated the key factors and assumptions used to develop the above estimates and determined those methods are reasonable.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements related to pledges receivable, property and equipment, lines of credit, and net assets with donor restrictions.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The attached **Appendix B** summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.

The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management and are attached in **Appendix A**.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Nexus Recovery Center's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain representations from management that are included in the management representation letter dated January 18, 2022.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Nexus Recovery Center, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Nexus Recovery Center's auditors.

This information is intended solely for the use of the Board of Directors and management of Nexus Recovery Center, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

STILL BURTON LLP

Still Burton LLP

Farmers Branch, Texas
January 18, 2022

APPENDIX A
Journal Entries Posted

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
PBC: closing entry accrual			
1380	CCC Comprehensive Continuum	24,028.00	
5580	CCC - Comprehensive Continuum		24,028.00
Total		24,028.00	24,028.00
Adjusting Journal Entries JE # 2			
PBC: closing entry accrual			
1227	DSHS - COPSD	1,407.00	
5527	COPSD DSHS		1,407.00
Total		1,407.00	1,407.00
Adjusting Journal Entries JE # 3			
PBC: closing entry accrual			
1354	UnrestrPldgs Recv Short Term	187,500.00	
4080	United Way Dallas		187,500.00
Total		187,500.00	187,500.00
Adjusting Journal Entries JE # 4			
PBC: To reclass PY balance.			
3050	Current Excess or Deficit	186,965.00	
3010	NA w/out donor restr, undesig		185,965.00
3015	NA w/out donor restr, Bd Desig		1,000.00
Total		186,965.00	186,965.00

APPENDIX B
Journal Entries NOT Posted

Account		Description	Debit	Credit
Proposed JE # 5				
To record copier capital lease				
1910	Equipment Operations		137,886.00	
SB02	Capital lease obligation			137,886.00
Total			137,886.00	137,886.00
Proposed JE # 6				
To reclass copier lease payments for capital lease				
SB02	Capital lease obligation		35,377.00	
SB03	Interest expense-lease		4,403.00	
8510	Equipment Rent			39,780.00
Total			39,780.00	39,780.00
Proposed JE # 7				
To record current year depreciation on capital lease copiers				
9510	Depreciation Equipment		27,577.00	
1919	Equipment Depreciation			27,577.00
Total			27,577.00	27,577.00