Sharpen Recovery

Financial Statements
and Independent Auditors' Report
for the year ended December 31, 2024

Sharpen Recovery

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Independent Auditors' Report

To the Board of Directors of
Sharpen Recovery:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sharpen Recovery, which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sharpen Recovery as of December 31, 2024, 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Sharpen Recovery and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sharpen Recovery's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sharpen Recovery'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.

Blazek & Vetterling

June 24, 2026

Sharpen Recovery

Statement of Financial Position as of December 31, 2024

ASSETS	
Cash	$ 72,375
Accounts receivable	22,171
Contributions receivable *(Note 3)*	178,750
Prepaid expenses and other assets	114,925
Operating lease right-of-use assets, net *(Note 4)*	53,927
Property, net *(Note 5)*	133,896
TOTAL ASSETS	$ 576,044

LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and accrued expenses	$ 9,697
Operating lease liabilities *(Note 4)*	53,927
Total liabilities	63,624
Net assets:	
Without donor restrictions	313,706
With donor restrictions *(Note 6)*	198,714
Total net assets	512,420
TOTAL LIABILITIES AND NET ASSETS	$ 576,044

See accompanying notes to financial statements.

Sharpen Recovery

Statement of Activities for the year ended December 31, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	$ 448,712	$ 425,585	$ 874,297
Program service fees	588,970		588,970
Special events	82,150		82,150
Cost of direct donor benefits	(10,394)		(10,394)
Loss on disposal of asset	(3,225)		(3,225)
Other income	19,748		19,748
Total revenue	1,125,961	425,585	1,551,546
Net assets released from restrictions:			
Program expenditures	331,871	(331,871)	
Total	1,457,832	93,714	1,551,546
EXPENSES:			
Program expenses	1,171,132		1,171,132
Management and general	281,420		281,420
Fundraising	127,619		127,619
Total expenses	1,580,171		1,580,171
CHANGES IN NET ASSETS	(122,339)	93,714	(28,625)
Net assets, beginning of year	436,045	105,000	541,045
Net assets, end of year	$ 313,706	$ 198,714	$ 512,420

See accompanying notes to financial statements.

Sharpen Recovery

Statement of Functional Expenses for the year ended December 31, 2024

	PROGRAM EXPENSES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related benefits	$ 276,804	$ 124,784	$ 77,137	$ 478,725
Resident rental costs	471,201			471,201
Utilities	136,905			136,905
Supplies	76,346	1,369	760	78,475
Bad debt expense		55,927		55,927
Bank and administrative fees		50,315		50,315
Professional fees	42,075	6,380		48,455
Insurance	30,826	7,707	4,281	42,814
Resident transportation	42,279			42,279
Advertising and marketing		161	36,998	37,159
Occupancy	22,092	5,523	3,069	30,684
Technology	17,813	4,453	2,474	24,740
Depreciation	17,266	4,316	2,398	23,980
Meals and entertainment	15,981	3,545	262	19,788
Repairs and maintenance	19,721			19,721
Memberships and dues	1,550	10,255		11,805
Other	273	6,685	240	7,198
Total expenses	$ 1,171,132	$ 281,420	$ 127,619	$ 1,580,171

See accompanying notes to financial statements.

Sharpen Recovery

Statement of Cash Flows for year ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets without donor restrictions	$ (28,625)
Adjustments to reconcile changes in net assets without donor restrictions to net cash used by operating activities:	
Depreciation	23,980
Amortization of lease right-of-use assets	77,787
Loss on disposal of property	3,225
Changes in operating assets and liabilities:	
Accounts receivable	(22,171)
Contributions receivable	(73,750)
Prepaid expenses and other assets	(35,389)
Accounts payable and accrued expenses	8,365
Operating lease liabilities	(77,787)
Net cash used by operating activities	(124,365)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property	(49,060)
NET CHANGE IN CASH	(173,425)
Cash, beginning of year	245,800
Cash, end of year	$ 72,375
Supplemental disclosure of cash flow information:	
Lease right-of-use asset financed by operating lease liabilities	$57,244

See accompanying notes to financial statements.

Sharpen Recovery

Notes to Financial Statements for the year ended December 31, 2024

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Sharpen Recovery is a Texas non-profit corporation established to provide and expand recovery housing that is highly effective, lovingly delivered, and spiritually supported, enabling lasting sobriety and freedom.

Federal income tax status – Sharpen Recovery is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1).

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted, if material, to the present value of their estimated future cash flows. An allowance for contributions receivable is provided when it is believed balances may not be collected in full. Sharpen Recovery's policy is to write off receivables against the allowance when management determines the receivable will not be collected.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Property is reported at cost if purchased or at fair value at the date of gift if donated. Sharpen Recovery capitalizes property that has a cost or fair value of $2,000 or greater and an estimated useful life of more than one year. Sharpen Recovery recognizes depreciation using the straight-line method over the estimated useful lives of the assets, which range from 5 to 7 years.

Program service fees are recognized in the period that services are provided. There are no contract assets or contract liabilities at December 31, 2024 or 2023.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before Sharpen Recovery is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs and occupancy are allocated on the basis of estimated time and effort expended.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Sharpen Recovery's financial assets available for general expenditure consist of cash and accounts receivable totaling $273,296. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the organization considers all expenditures related to its ongoing activities of providing support for its recovery programs to be general expenditures.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2024 are expected to be collected as follows:

2025	$ 88,750
2026	70,000
2027	20,000
Total contributions receivable	$ 178,750

NOTE 4 – OPERATING LEASES

Sharpen Recovery leases resident housing under non-cancelable operating leases. Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

Sharpen Recovery has made the following accounting policy elections in connection with leases:

- *Short-term leases* – Sharpen Recovery has elected the practical expedient to choose whether to adopt leases with terms of 12 months or less and will recognize short-term leases as expense on a straight-line basis over the lease term.
- *Discount rates* – Sharpen Recovery has elected to use the risk-free interest rate as the discount rate when the implicit rate is not known.

The components of lease costs for the year ended December 31, 2024 are as follows:

Operating leases	$ 94,312
Short-term leases	385,998
Total lease costs	$ 480,310

Undiscounted cash flows related to operating leases as of December 31, 2024 are as follows:

2025	$ 45,200
2026	10,000
Total undiscounted cash flows	55,200
Less discount to present value	(1,273)
Total present value of lease liabilities	$ 53,927

As of December 31, 2024, the weighted-average remaining lease term for the operating lease is 12 months. The weighted-average discount rate associated with the operating lease as of December 31, 2024 is 4.79%.

NOTE 5 – PROPERTY

Property at December 31, 2024 consists of the following:

Furniture and fixtures	$ 148,670
Vehicles	42,785
Property, at cost	191,455
Accumulated depreciation	(57,559)
Property, net	$ 133,896

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2024, are restricted as follows:

Subject to expenditure for specified purpose:	
Scholarships	$ 100,000
Substance abuse recovery homes	75,555
Other	4,409
Subject to passage of time:	
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until due	18,750
Total net assets with donor restrictions	$ 198,714

NOTE 7 – SUBSEQUENT EVENTS

Subsequent to year end, Sharpen Recovery entered into additional lease agreements to provide housing for their participants with lease terms of 1-2 years. Lease costs under these agreements approximate $378,900.

Management has evaluated subsequent events through June 24, 2026, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.