

**AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
OXFORD, ALABAMA**

**AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

SEPTEMBER 30, 2015

Gerald G. Pentecost, Jr., CPA



Certified Public Accountants

CONTENTS

| | Page |
|---|-------------|
| FINANCIAL SECTION | |
| Independent Auditor's Report | 1 |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6 |
| SUPPLEMENTAL INFORMATION | |
| Schedule of Functional Expenses | 12 |
| Report on Compliance with Department of Mental Health Contract | 13 |

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Agency for Substance Abuse Prevention, Inc.

We have audited the accompanying financial statements of the Agency for Substance Abuse Prevention, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency for Substance Abuse Prevention, Inc. as of September 30, 2015, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Michael R. Stewart, CPA

Rainbow City, Alabama
November 30, 2015

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2015

ASSETS

Current Assets

| | | |
|-----------------------------|----|----------------|
| Cash | \$ | 72,201 |
| Receivables, Net | | 29,881 |
| Total Current Assets | | 102,082 |

Fixed Assets

| | | |
|--------------------------------|--|--------------|
| Depreciable Assets | | |
| Machinery and Equipment | | 48,824 |
| Furniture and Fixtures | | 17,971 |
| Less: Accumulated Depreciation | | (62,314) |
| Fixed Assets, Net | | 4,481 |

Other Assets

| | | |
|---------------------------|--|------------|
| Other Receivables | | 826 |
| Total Other Assets | | 826 |

| | | |
|---------------------|-----------|----------------|
| Total Assets | \$ | 107,389 |
|---------------------|-----------|----------------|

LIABILITIES AND NET ASSETS

Current Liabilities

| | | |
|----------------------------------|----|---------------|
| Accounts Payable | \$ | 4,682 |
| Accrued Payroll | | 5,985 |
| Accrued Compensated Absences | | 869 |
| Due to Grant Agency | | 13,784 |
| Total Current Liabilities | | 25,320 |

| | | |
|--------------------------|--|--------|
| Total Liabilities | | 25,320 |
|--------------------------|--|--------|

Net Assets

| | | |
|-------------------------|--|---------------|
| Unrestricted | | 82,069 |
| Total Net Assets | | 82,069 |

| | | |
|---|-----------|----------------|
| Total Liabilities and Net Assets | \$ | 107,389 |
|---|-----------|----------------|

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | Unrestricted | Temporarily Restricted | Total |
|--|---------------------|-----------------------------------|------------------|
| Revenues, Gains and Other Support | | | |
| State Grants | \$ - | \$ 141,660 | \$ 141,660 |
| Contributions | 15,590 | - | 15,590 |
| Program Service Fees | 10,000 | - | 10,000 |
| Special Events | 2,700 | - | 2,700 |
| Interest Income | 101 | - | 101 |
| Miscellaneous | 134 | - | 134 |
| Total Other Revenues | 28,525 | 141,660 | 170,185 |
| Transfer From Restricted Funds | 141,660 | (141,660) | - |
| Total Revenues, Gains and Other Support | 170,185 | - | 170,185 |
| Functional Expenses | | | |
| Program Expenses | 131,057 | - | 131,057 |
| Support Services, Management and General | 47,607 | - | 47,607 |
| Fundraising | 788 | - | 788 |
| Total Functional Expenses | 179,452 | - | 179,452 |
| Change in Net Assets - Current Operations | (9,267) | - | (9,267) |
| Prior Period Adjustment (See Note K) | (27,568) | - | (27,568) |
| Net Assets, Beginning | 118,904 | - | 118,904 |
| Net Assets, Ending | \$ 82,069 | \$ - | \$ 82,069 |

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | |
|--|-------------------------|
| Cash Flows From Operating Activities | |
| Increase (decrease) in net assets from operations | \$ (9,267) |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | |
| Depreciation | 1,199 |
| Prior period adjustment (See Note K) | (27,568) |
| (Increase) decrease in receivables | (6,345) |
| Increase (decrease) in accounts payable | 3,095 |
| Increase (decrease) in accrued payroll | 609 |
| Increase (decrease) in accrued compensated absences | (1,460) |
| Increase (decrease) in grant chargeback liability | <u>13,784</u> |
| Net cash provided (used) by operating activities | (25,953) |
| Cash Flows From Investing Activities | |
| Purchase of property and equipment | <u>(1,200)</u> |
| Net cash used by investing activities | (1,200) |
| | |
| Net increase (decrease) in cash | (27,153) |
| | |
| Beginning cash | <u>99,354</u> |
| | |
| Ending cash | <u><u>\$ 72,201</u></u> |

**AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Agency for Substance Abuse Prevention, Inc. (the Organization) was incorporated as a substance abuse prevention education agency dedicated to providing services to parents, students, employees, affected individuals and their families in Calhoun and Cleburne Counties of Alabama. The Organization is governed by a Board of Directors. Terms expire each year for three members and officers serve for a one-year term, but may be re-elected for an additional term.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenue is recognized when earned and expenses are recorded when incurred.

Basis of Presentation

The Organization follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification: FASB ASC 958-210-50 (formerly SFAS No. 117). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Organization also elected to adopt FASB ASC 958-300-50 (formerly SFAS No. 116). In accordance with FASB ASC 958-300-50, contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Donor restricted support is reported as an increase in the temporarily or permanently restricted net assets depending upon the nature of the restrictions. As the restrictions expire or conditions of restrictions are satisfied in the year of donation, the assets are recorded as unrestricted.

**AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –
Continued**

Basis of Presentation - Continued

- Unrestricted net assets of the organization represent revenues and expenses related to the operation and management of the Organization's primary programs and supporting services.
- Temporarily restricted net assets represent resources available for use, but expendable only for the purposes specifically stated by the donor.
- Permanently restricted net assets are permanently restricted by the donor. There are no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents .

Income Taxes

Agency for Substance Abuse Prevention, Inc. is incorporated under the laws of the State of Alabama as a non-profit corporation and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code for not for profit entities . No provision for income taxes is reflected in the financial statements.

Capital Assets

The capitalization policy is to capitalize assets with a life of over one year and a cost of \$500 or more. All fixed assets are recorded at historical cost, or if donated, fair market value at the date of donation. Depreciation is provided, using the straight-line method over the estimated useful life of the related asset. Repairs and maintenance are expensed as incurred. The following useful lives are used in determining depreciation:

| Estimated | <u>Useful Life</u> |
|----------------------|---------------------------|
| Furniture & Fixtures | 7 years |
| Office Equipment | 5 - 7 years |

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –
Continued**

Planned Major Maintenance Activities

If major maintenance will extend the life of a capital asset, the cost of maintenance is then capitalized. If major maintenance will not extend the life of a capital asset, then the cost of maintenance is expensed.

Revenues and Support

Revenues of the Organization consist mostly of grants received from the Alabama Department of Mental Health / Mental Retardation. The Organization recognizes the revenue based on either a fee for services provided or cost reimbursement, whichever applies.

Contributions of non-cash assets are recorded at their fair values in the period received. Such donations are reported as unrestricted support unless the donor has restrictions regarding their use for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses

The costs of providing Organization programs and the administration of the Organization have been summarized on a functional basis in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Date of Management's Review

Subsequent events have been reviewed through issuance date of the report.

**AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE B – CASH AND INVESTMENTS

Cash consists of funds held in demand deposit accounts. The balance for the year ended September 30, 2015 was \$72,201.

NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2015 consisted of the following:

| | 2015 |
|---------------------------------------|-------------|
| Grant receivable – DMH | \$ 29,131 |
| Receivable – AHA | 750 |
| Less: allowance for doubtful accounts | (0) |
| Accounts receivable, net | \$ 29,881 |

Other receivables consist of amounts owed by a prior employee. The balance due at September 30, 2015 was \$826. Management expects payment in full of this balance during the next fiscal period.

The allowance for doubtful accounts is determined by management based on the estimated uncollectible dues and other revenues at the end of the year and is determined to be \$0 at September 30, 2015.

NOTE D – FIXED ASSETS

| | Balance 09/30/2014 | Additions | Deletions | Balance 09/30/2015 |
|---------------------------|-------------------------------|------------------|------------------|-------------------------------|
| Depreciable Assets | | | | |
| Machinery & Equipment | \$ 47,624 | \$ 1,200 | \$ - | \$ 48,824 |
| Furniture and fixtures | 17,971 | - | - | 17,971 |
| Total Depreciable Assets | 65,595 | - | - | 66,795 |
| Less: accum. depreciation | (61,115) | (1,199) | - | (62,314) |
| Total Fixed Assets, Net | \$ 4,480 | \$ (1,199) | \$ - | \$ 4,481 |

Depreciation expense for the year ended September 30, 2015 was \$1,199.

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE E – ACCOUNTS PAYABLE

Accounts payable consists of amounts due to vendors. The balance at September 30, 2015 was \$4,682.

NOTE F – COMPENSATION AND RELATED EXPENSES

Accrued payroll at September 30, 2015 consists of accrued salaries. The balance at September 30, 2015 was \$5,985. Accrued compensated absences consist of vacation owed at September 30, 2015 of \$869.

NOTE G – ADVERTISING COSTS

The Organization expenses advertising costs as they are incurred. The Organization has no direct-response advertising costs. Advertising expense at September 30, 2015 was \$1,600.

NOTE H – RISKS AND UNCERTAINTIES

The preparation of financial statements in conformity with generally accepted accounting principles required the use of estimates made by the management of the Organization. Estimates used in the preparation of financial statements could differ from the actual results of operations.

The Organization receives the majority of its revenue from governmental sources. It is reasonably possible that changes in the funding available under grants could impact the Organization.

NOTE I – ECONOMIC DEPENDENCE

The Organization is significantly dependent on funding from the Alabama Department of Mental Health / Mental Retardation. For the year ended September 30, 2015, the grant revenues from DMH/MR represented approximately 83% of total revenues for the year ended.

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE J – LEASES

During the year ended September 30, 2013, the Organization began leasing its operating facilities in Oxford, Alabama. The term of the lease was 12 months ended in June 2014. Rent is due monthly at \$750 per month. There is a renewal provision contained in this lease that allows a renewal of the lease for an additional one year term. Management exercised this renewal option in June of 2014 and continues to pay rent monthly at \$750 per month. Rent paid under this lease was \$8,250 for the year ended September 30, 2015.

NOTE K – PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2015, the Organization was notified by its main funding agency, the Alabama Department of Mental Health, that certain services provided under the grant during the periods from 2012 – 2014 did not meet the definition of the activities outlined in the prevention plan for this period. The prevention plan is the governing document for the activities that are allowed under the grant agreement. The disallowance was the result of an examination of submissions and supporting records which did not meet the specific requirements from the grant contract. The amount of the disallowance calculated by the Alabama Department of Mental Health was \$27,568. Since these reimbursements were recorded as revenue in prior years (2012 - 2014), the amount has been recorded as a prior period adjustment. The following accounts were affected:

| | |
|--|------------|
| Liability to the Alabama Department of Mental Health | (\$27,568) |
| Unrestricted Net Assets | 27,568 |

The liability for repayment of these disallowed expenditures is being repaid to the Alabama Department of Mental Health via reductions in current reimbursement requests over a 12 month period. As of the end of this fiscal year, the remaining liability to the Alabama Department of Mental Health is \$13,784, which will be withheld from current reimbursement requests evenly for the first 6 months of the 2016 fiscal year (October 2015 through March 2016).

SUPPLEMENTAL INFORMATION

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | <u>Program Expenses</u> | <u>Support Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-----------------------------|-----------------------------|---|--------------------|-------------------|
| Advertising | \$ 1,600 | \$ - | \$ - | \$ 1,600 |
| Conferences and Conventions | 1,709 | 355 | - | 2,064 |
| Contract Labor | 4,800 | 840 | - | 5,640 |
| Depreciation | 1,199 | - | - | 1,199 |
| Dues and Subscriptions | 184 | 183 | - | 367 |
| Equipment Rental and Maint | 1,892 | 1,892 | - | 3,784 |
| Insurance | 1,254 | 1,253 | - | 2,507 |
| Meals | - | 107 | - | 107 |
| Miscellaneous | - | 7 | - | 7 |
| NFL Camp Expense | 2,700 | - | - | 2,700 |
| Payroll Tax Expense | 6,804 | 2,306 | - | 9,110 |
| Postage and Delivery | 71 | 71 | - | 142 |
| Printing and Publications | 345 | - | - | 345 |
| Professional and Legal Fees | 13,839 | 6,011 | - | 19,850 |
| Program | - | - | 700 | 700 |
| Rent | 4,125 | 4,125 | - | 8,250 |
| Salaries | 82,977 | 22,361 | - | 105,338 |
| Scholarship Program | 1,300 | - | - | 1,300 |
| Supplies | 1,147 | 477 | 88 | 1,712 |
| Travel | 1,623 | 4,130 | - | 5,753 |
| Utilities | 3,488 | 3,489 | - | 6,977 |
| Total Expenses | \$ 131,057 | \$ 47,607 | \$ 788 | \$ 179,452 |

REPORT ON COMPLIANCE WITH
DEPARTMENT OF MENTAL HEALTH CONTRACT

To the Board of Directors of
Agency for Substance Abuse Prevention, Inc.

We have audited the contract between the Department of Mental Health (DMH) and the Agency for Substance Abuse Prevention, Inc. as of and for the year ended September 30, 2015.

Compliance with the DMH Contract, Provider Agreement and all applicable laws, rules, and regulations applicable to the Agency for Substance Abuse Prevention, Inc. is the responsibility of the Agency for Substance Abuse Prevention, Inc.'s management. As a part of obtaining reasonable assurance about whether the contract, Provider Agreement, and all applicable laws, rules, and regulations were complied with, we performed certain tests of transactions and made other determinations as outlined in each requirement of *Section 12, Audit for Compliance with the Contract of the DMH Audit Guidelines*. Revenues and expenditures were analyzed to determine if they were in compliance with applicable terms and conditions of the contract. Funds claimed as match for federal programs were audited to determine if they were allowable and adequate to match federal funds received.

The results of our tests disclosed no material instances of noncompliance with the DMH contract and all applicable laws, and regulations.

This report is intended for the information of management and DMH. However, this report is a matter of public record and its distribution is not limited.



Rainbow City, Alabama
November 30, 2015