

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

**AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

SEPTEMBER 30, 2020

Gerald G. Pentecost, Jr., CPA



Certified Public Accountants

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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, 2020, and the related statements of activities, functional expenses, 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, 2020, 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 Reporting Required by the Alabama Department of Mental Health

In accordance with the *Section 12, Audit for Compliance with the Contract of the DMH Audit Guidelines*, we have also issued our report dated November 9, 2020 (see page 13) on our consideration of the Agency For Substance Abuse Prevention, Inc.'s compliance with applicable laws, rules, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.



Rainbow City, Alabama
November 9, 2020

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020

ASSETS

Current Assets

Cash	\$ 216,004
Receivables, Net	72,510
Prepaid Advertising	<u>7,700</u>
Total Current Assets	296,214

Fixed Assets

Depreciable Assets	
Machinery and Equipment	73,842
Furniture and Fixtures	20,203
Less: Accumulated Depreciation	<u>(68,311)</u>
Fixed Assets, Net	25,734

Total Assets	<u>\$ 321,948</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 2,480
Accrued Payroll	8,683
Accrued Compensated Absences	<u>8,349</u>
Total Current Liabilities	<u>19,512</u>

Total Liabilities	19,512
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Net Assets

Without Donor Restrictions	<u>302,436</u>
Total Net Assets	<u>302,436</u>

Total Liabilities and Net Assets	<u>\$ 321,948</u>
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AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Without Donor Restrictions</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
State Grants	\$ -	\$ 516,329	\$ 516,329
Contributions	19,008	-	19,008
Miscellaneous Income	343	-	343
Interest Income	<u>211</u>	<u>-</u>	<u>211</u>
Total Other Revenues	19,562	516,329	535,891
Net Assets Released from Restrictions			
Restrictions Satisfied by Accomplishment of Purpose Restrictions	<u>516,329</u>	<u>(516,329)</u>	<u>-</u>
Total Revenues, Gains and Other Support	535,891	-	535,891
Functional Expenses			
Program Expenses	281,775	-	281,775
Support Services, Management and General	<u>74,241</u>	<u>-</u>	<u>74,241</u>
Total Functional Expenses	<u>356,016</u>	<u>-</u>	<u>356,016</u>
Change in Net Assets	179,875	-	179,875
Net Assets, Beginning	<u>122,561</u>	<u>-</u>	<u>122,561</u>
Net Assets, Ending	<u>\$ 302,436</u>	<u>\$ -</u>	<u>\$ 302,436</u>

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Program Expenses</u>	<u>Support Management and General</u>	<u>Total</u>
<u>Compensation and Related Expenses</u>			
Salaries	\$ 156,238	\$ 52,079	\$ 208,317
Employee Benefits	9,427	3,143	12,570
Payroll Tax Expense	12,490	4,164	16,654
Total Compensation and Related Expenses	178,155	59,386	237,541
<u>Occupancy Expenses</u>			
Rent	7,650	2,550	10,200
Utilities	3,773	1,258	5,031
Total Occupancy Expenses	11,423	3,808	15,231
<u>Administrative Expenses</u>			
Dues and Subscriptions	3,083	-	3,083
Equipment Rental and Maint	1,580	527	2,107
Insurance	3,066	1,022	4,088
Postage and Delivery	564	188	752
Professional and Legal Fees	9,310	9,310	18,620
Total Administrative Expenses	17,603	11,047	28,650
<u>Other Program Expenses</u>			
Advertising	12,662	-	12,662
Conferences and Conventions	1,597	-	1,597
Contract Labor	5,255	-	5,255
Donations and Grants	6,000	-	6,000
Food and Beverage - Meetings	793	-	793
Miscellaneous	1,383	-	1,383
Printing and Publications	29,478	-	29,478
Scholarship Program	3,300	-	3,300
Supplies	4,618	-	4,618
Travel	7,753	-	7,753
Total Other Program Expenses	72,839	-	72,839
Total Expenses Before Depreciation	280,020	74,241	354,261
Depreciation	1,755	-	1,755
Total Functional Expenses	<u>\$ 281,775</u>	<u>\$ 74,241</u>	<u>\$ 356,016</u>

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Cash Flows From Operating Activities

Increase (decrease) in net assets from operations \$ 179,875

**Adjustments to reconcile increase in net assets
to net cash provided by operating activities:**

Depreciation	1,755
(Increase) decrease in receivables	(38,436)
(Increase) decrease in prepaid advertising	(7,700)
Increase (decrease) in accounts payable	1,370
Increase (decrease) in accrued payroll	4,240
Increase (decrease) in accrued compensated absences	<u>5,645</u>
Net cash provided (used) by operating activities	146,749

Cash Flows From Investing Activities

Purchase of fixed assets (27,250)

Net increase (decrease) in cash **119,499**

Beginning cash 96,505

Ending cash \$ 216,004

**AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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 has adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-For-Profit Entities. In accordance with ASU 2016-14, contributions are recorded with donor restrictions based on the existence or nature of any donor restrictions. Donor restricted support is reported as an increase in net assets with donor restrictions. As restrictions expire or are satisfied, they are recorded as net assets released from restrictions in the Statement of Activities.

There were no assets with donor restrictions as of December 31, 2020.

**AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

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

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.

**AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

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.

The Organization accounts for contributions in accordance with the recommendations of ASC No. 958-605, "*Revenue Recognition*". The Organization reports gifts of cash and other assets as revenue with donor restrictions, if they are received with donor-imposed stipulations, which limit the use of the donated assets. When a donor-imposed stipulation expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from donor restrictions on the Statement of Activities.

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.

**AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

Functional Expenses

The costs of providing the Organization's programs and the administration of the Organization have been summarized on a functional basis in the statement of activities. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and related taxes, which are allocated based on level of effort in each of the activities, facility related costs (rent, maintenance, etc.) and office related expenses (supplies, postage, etc.) which are allocated based on managements' estimates of benefit provided to each activity.

Date of Management's Review

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

NOTE B – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Agency for Substance Abuse Prevention, Inc. has \$288,514 of financial assets available within one year of the statement of financial position to meet cash needs for general operating expenditures consisting of cash of \$216,004, and receivables totaling \$72,510.

NOTE C – CASH AND INVESTMENTS

Cash consists of funds held in demand deposit accounts. The balance for the year ended September 30, 2020 was \$216,004.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2020 consisted of the following:

	2020
Grant receivable – DMH	\$ 72,510
Less: allowance for doubtful accounts	<u>(0)</u>
Accounts receivable, net	\$ <u>72,510</u>

**AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE D – ACCOUNTS RECEIVABLE - Continued

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, 2020.

NOTE E – FIXED ASSETS

	<u>Balance 09/30/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 09/30/2020</u>
Depreciable Assets				
Machinery & Equipment	\$ 48,824	\$ 25,018	\$ -	\$ 73,842
Furniture and fixtures	<u>17,971</u>	<u>2,232</u>	<u>-</u>	<u>20,203</u>
Total Depreciable Assets	66,795	27,250	-	94,045
Less: accum. depreciation	<u>(66,556)</u>	<u>(1,755)</u>	<u>-</u>	<u>(68,311)</u>
Total Fixed Assets, Net	<u>\$ 239</u>	<u>\$ 25,495</u>	<u>\$ -</u>	<u>\$ 25,734</u>

Depreciation expense for the year ended September 30, 2020 was \$1,755.

NOTE F – ACCOUNTS PAYABLE

Accounts payable consists of amounts due to vendors. The balance at September 30, 2020 was \$2,480.

NOTE F – COMPENSATION AND RELATED EXPENSES

Accrued payroll at September 30, 2020 consists of accrued salaries. The balance at September 30, 2020 was \$8,683. Accrued compensated absences consist of vacation owed at September 30, 2020 of \$8,349.

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, 2020 was \$12,662.

**AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020, the grant revenues from DMH/MR represented approximately 94% of total revenues for the year ended.

NOTE J – LEASES

The Organization leased its office space under a 1 year lease at \$850 per month. This lease requires a 90 day written notice of cancellation by either party. Rent paid under this lease agreement for the year ended September 30, 2020 was \$10,200. The lease term ended in September 2020 at which time the Organization exercised an election to renew this lease for a 2 year term at the same rate.

Future minimum lease payments are as follows for the following years ended September 30:

2021	\$10,200
2022	<u>10,200</u>
	<u>\$20,400</u>

SUPPLEMENTAL INFORMATION

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 contracts between the Department of Mental Health (DMH) and the Agency for Substance Abuse Prevention, Inc. as of and for the year ended September 30, 2019.

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 9, 2020