CENTER FOR PREVENTION SERVICES

FINANCIAL STATEMENTS
JUNE 30, 2020

Center for Prevention Services
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June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Center for Prevention Services
Charlotte, North Carolina

We have audited the accompanying financial statements of Center for Prevention Services (the "Organization" - a nonprofit corporation), which comprise the statement of financial position as of June 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 of 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.

Opinion
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Center for Prevention Services, as of June 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.

Report on Summarized Comparative Information
We have previously audited the Organization's 2019 financial statements, and our report dated December 10, 2019, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. DeWitt Foard & Company, P.A.

January 28, 2021

MEMBER: AMERICAN INSTITUTE OF CPAS & NORTH CAROLINA ASSOCIATION OF CPAS

Center for Prevention Services

Statement of Financial Position

June 30, 2020, With Prior Year Comparative Totals

	2020	2019
ASSETS		
Current assets:		
Cash	$ 255,668	$ 108,532
Receivables:		
Grants and contracts	137,675	58,607
Inventory	1,009	1,009
Prepaid expenses	7,679	3,564
Total Current Assets	***402,031***	***171,712***
Investments:		
Beneficial interest in assets held in trust by third party	335,703	350,454
Property and equipment, net	5,640	4,585
TOTAL	***$ 743,374***	***$ 526,751***
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 88,710	$ 35,330
Total Current Liabilities	***88,710***	***35,330***
Net assets:		
Without Donor Restrictions:		
Undesignated	268,845	119,974
Designated	335,703	350,454
Total Without Donor Restrictions	***604,548***	***470,428***
With Donor Restrictions	50,116	20,993
Total Net Assets	***654,664***	***491,421***
TOTAL	***$ 743,374***	***$ 526,751***

Center for Prevention Services
Statement of Activities
Year Ended June 30, 2020, With Prior Year Comparative Totals

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Governmental agency contracts and grants	$ 1,402,847	$ 838,020
Contributions	29,593	14,819
Program service fees	8,505	26,027
Investment earnings	(568)	9,541
Net assets released from restriction:		
Satisfaction of program restrictions	12,221	-
TOTAL SUPPORT AND REVENUE	***1,452,598***	***888,407***
EXPENSES		
Program services	1,200,323	851,835
Management and general	86,135	60,257
Fund raising	32,020	32,395
TOTAL EXPENSES	***1,318,478***	***944,487***
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	***134,120***	***(56,080)***
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	41,344	17,623
Net assets released from restriction:		
Satisfaction of program restrictions	(12,221)	-
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	***29,123***	***17,623***
CHANGE IN NET ASSETS	***163,243***	***(38,457)***
NET ASSETS, BEGINNING	***491,421***	***529,878***
NET ASSETS, ENDING	***$ 654,664***	***$ 491,421***

Center for Prevention Services

Statement of Functional Expenses

Year Ended June 30, 2020, With Prior Year Comparative Totals

	June 30, 2020				
	Program Services	Management and General	Fund Raising	Totals	2019 Totals
Salaries and benefits	$ 820,297	$ 56,743	$ 25,079	$ 902,119	$ 674,581
Materials	116,444	-	-	116,444	57,621
Fees and services	72,841	5,292	2,416	80,549	37,678
Occupancy	62,605	4,548	2,077	69,230	72,344
Depreciation	2,742	199	91	3,032	3,622
Marketing	54,334	-	-	54,334	10,300
Supplies	3,185	231	106	3,522	4,614
Training	12,745	926	423	14,094	17,358
Travel	28,858	2,097	957	31,912	27,114
Telephone	12,306	894	408	13,608	12,784
Insurance	-	13,080	-	13,080	8,197
Dues and subscriptions	2,477	180	82	2,739	2,513
Equipment expenses	4,117	299	137	4,553	5,045
Printing and postage	7,372	536	244	8,152	2,950
Miscellaneous	-	1,110	-	1,110	7,766
NET EXPENSES	***$ 1,200,323***	***$ 86,135***	***$ 32,020***	***$ 1,318,478***	***$ 944,487***

Center for Prevention Services
Statement of Cash Flows
Year Ended June 30, 2019, With Prior Year Comparative Totals

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	$ 163,243	$ (38,457)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	3,032	3,622
Change in value of beneficial interest in assets held in trust	570	(9,538)
(Increase) decrease in operating assets:		
Receivables	(79,068)	72,734
Prepaid expenses	(4,115)	(603)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	53,380	(17,916)
Cash Flows From Operating Activities	***137,042***	***9,842***
INVESTING ACTIVITIES		
Sales of investments	14,181	-
Purchase of property and equipment	(4,087)	-
Cash Flows From Investing Activities	***10,094***	***-***
NET CHANGE IN CASH	***147,136***	***9,842***
CASH, BEGINNING	***108,532***	***98,690***
CASH, ENDING	***$ 255,668***	***$ 108,532***

NOTE A - NATURE OF OPERATIONS

Organization
Center for Prevention Services (the Organization), was established as a not-for-profit corporation under the laws of North Carolina in 1971. The purpose of the Organization is to promote health and resilience through progressive approaches that integrate evidence-based substance use prevention programming, harm reduction, and multifaceted systems of care. The Organization's offices are located at 1117 Morehead Street, Charlotte, North Carolina.

Funding
The operations of the Organization are primarily funded by contracts and grants from federal, state and county governments.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization uses the accrual basis of accounting; therefore, revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to U.S. generally accepted accounting principles (GAAP).

Basis of presentation
The financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP). Under GAAP the Organization is required to report information regarding its financial position and activities according to the following classes of net assets:

> *Net assets without donor restrictions* – Net assets without donor restrictions are those currently available for use in the day-to-day operation of the Organization and those resources invested in property. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Organization. Designated net assets of $335,703 as of year-end represents the non-spendable balance of the quasi-endowment disclosed in Note C below.
>
> *Net assets with donor restrictions* – Net assets with donor restrictions consist of temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. During the year, the Organization had no permanently restricted net assets.

Contributions
The Organization reports contributions and grants of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), 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.

Contributions with donor restrictions whose restrictions are met in the same reporting period as received are reported as contributions without donor restrictions.

Revenue recognition
The Organization expects to adopt the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2014-09, "*Revenue from Contracts with Customers" (ASU 2014-09)*, for the year ending June 30, 2021. The core principle of this standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization does not expect the implementation of this standard to have a material impact on its financial statements.

Donated services and goods
Donated services are reported as contributions when the services (a) create or enhance non-financial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated goods, if significant, are included in support at fair value. During the year, the Organization recorded no contributed services or donated goods.

A number of volunteers, including members of the Board of Directors, contribute significant amounts of time to the Organization. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected as support in the accompanying financial statements.

Grants receivable
Grants receivable relate to amounts billed to various governmental agencies for Organization expenditures payable under reimbursement contracts. All grant receivables are expected to be collected within one year. Based on a review of each account, management has determined that no allowance for doubtful accounts is needed.

Inventory
Inventory primarily consists of educational and informational materials held for resale, which are stated at the lower of cost or market using the first-in, first-out method.

Property and equipment
Fixed assets are recorded at cost if purchased or fair value if donated when they exceed $500. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which vary from 5 to 7 years.

Functional allocation of expenses
The Organization's activities are focused in three functional areas. Program services represent the primary focus of the Organization. Supporting services are fundraising activities and management and general activities. Materials, marketing and insurance are allocated on an analysis of the expenses that comprise those costs. All other expenses are allocated based on management's estimates of time spent on the three functions.

Income tax status
The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code except to the extent of taxes on unrelated business income. The Organization is not a private foundation as defined by Section 509(a) of the Internal Revenue Code.

Use of estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior-year comparative totals
The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Organization's 2019 financial statements, from which the summarized information was derived. Certain prior-year amounts may have been reclassified to conform to the current year's presentation.

NOTE C - INVESTMENTS

Investment income for the year ended June 30, 2020, consists of interest and change in the value of beneficial interest in assets held in trust.

Beneficial interest in assets held in trust by third party
The Organization has included in these financial statements the fair value of investments and related income earned on certain funds held in trust solely for the benefit of the Organization.

The Foundation For The Carolinas (the Foundation) holds in trust an account for the benefit of the Organization. The Organization may request annual distributions of accumulated income from this account. The Foundation has complete discretion as to the timing and amounts of distributions from this fund; however, the Foundation has no variance power to distribute any portion of this fund to another not-for-profit entity. Assets at the Foundation, with a year-end fair value of $335,703, are held in an investment pool with a fund type of *Quasi-Endowed Designated* and an asset investment strategy of *Active Long-Term*.

Fair value measurements
Current accounting standards require fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization's beneficial interest in assets held in trust by the Foundation is classified as Level 3 assets. Values of these investments are determined by the Foundation based on the fair value of the underlying assets, which consists of assets, some of which are publicly traded and some of which are not publicly traded.

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year.

Balance, beginning of year	$ 350,454
Change in value	(570)
Sale of investments	(14,181)
Balance, end of year	$ 335,703

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment as of year-end consists of the following:

Computer equipment	$ 12,804
Other office equipment	7,489
Furniture, and fixtures	14,511
Total	34,804
Less - accumulated depreciation	29,164
TOTAL	$ 5,640

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at year-end are held for the following:

Temporarily restricted:	
The Latino Drug-Free Coalition	$ 3,370
Charlotte Region/Queen City Needle Exchange	25,040
Harm Reduction	1,526
Mason Fultz Foundation for H.O.P.E.	20,180
TOTAL	$ 50,116

NOTE F - RETIREMENT PLAN

The Organization provides retirement benefits to employees that work over 1,000 hours or more in a calendar year under a plan qualified under Internal Revenue Code Section 403(b). The Organization contributes three percent of the eligible employees' regular compensation and matches 50% of employee contributions up to a maximum of six percent total contribution. Total vesting of employer contributions occurs after three years. The Organization's contributions to the plan were $22,817 for the year.

NOTE G - LEASE OBLIGATIONS

The Organization leases office space and equipment under operating leases. During the year, the Organization made total payments of $69,115 related to these leases. Future minimum rental payments due under these leases are as follows:

Year ended June 30:		
2021	$	69,901
2022		72,305
2023		36,365
TOTAL	$	178,571

NOTE H - CONCENTRATIONS

Revenue

The Organization operates within a limited geographical area and receives funding from a limited number of sources. During the year, the Organization received 80 percent of its recurring support and revenue from five sources. At year-end, 85 percent of grants and contracts receivable are due from three of these sources. Any significant reduction in the above funding, could have a significant effect on the Organization's programs and activities.

Investments

Investments held at the Foundation are not insured. The Organization invests in a variety of investments chosen by the Foundation, which are subject to fluctuations in market values and expose the Organization to a certain degree of investment risk.

NOTE I - CONTINGENCIES

Financial awards from state and local governmental entities in the form of grants are subject to special audits by the funding agencies. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE J - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has $393,343 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of $255,668 and receivables of $137,675, which are expected to be collected during the year. Of this total, $50,116 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization also maintains a $30,000 line of credit to provide for operating expenses on a short-term basis if needed.

NOTE K – UNCERTAINTY

The COVID-19 pandemic has resulted in major changes in the local economy. At this point, the full impact of this pandemic on the Organization is unknown, but management believes that it could negatively impact its support and revenue for the foreseeable future.

NOTE L - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the statement of financial position through the date of the independent auditors' report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.