

*CENTER FOR PREVENTION
SERVICES*

*FINANCIAL STATEMENTS
JUNE 30, 2021*

Center for Prevention Services
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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, 2021, 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, 2021 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 2020 financial statements, and our report dated January 28, 2021, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.
March 2, 2022

Center for Prevention Services
Statement of Financial Position
June 30, 2021, With Prior Year Comparative Totals

	2021	2020
<u>ASSETS</u>		
Current assets:		
Cash	\$ 224,877	\$ 255,668
Receivables:		
Grants and contracts	154,963	137,675
Inventory	1,009	1,009
Prepaid expenses	64,003	7,679
<i>Total Current Assets</i>	444,852	402,031
Investments:		
Beneficial interest in assets held in trust by third party	434,377	335,703
Property and equipment, net	3,857	5,640
<i>TOTAL</i>	\$ 883,086	\$ 743,374
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 95,726	\$ 88,710
<i>Total Current Liabilities</i>	95,726	88,710
Net assets:		
Without Donor Restrictions:		
Undesignated	181,336	268,845
Designated	434,377	335,703
<i>Total Without Donor Restrictions</i>	615,713	604,548
With Donor Restrictions	171,647	50,116
<i>Total Net Assets</i>	787,360	654,664
<i>TOTAL</i>	\$ 883,086	\$ 743,374

Center for Prevention Services**Statement of Activities****Year Ended June 30, 2021, With Prior Year Comparative Totals**

	2021	2020
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
<u>SUPPORT AND REVENUE</u>		
Governmental agency contracts and grants	\$ 1,294,723	\$ 1,402,847
Contributions	23,260	29,593
Program service fees	3,289	8,505
Investment earnings	98,676	(568)
Net assets released from restriction:		
Satisfaction of program restrictions	29,034	12,221
<u>TOTAL SUPPORT AND REVENUE</u>	<u>1,448,982</u>	<u>1,452,598</u>
<u>EXPENSES</u>		
Program services	1,300,034	1,200,323
Management and general	65,340	86,135
Fund raising	72,443	32,020
<u>TOTAL EXPENSES</u>	<u>1,437,817</u>	<u>1,318,478</u>
<u>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>	<u>11,165</u>	<u>134,120</u>
<u>NET ASSETS WITH DONOR RESTRICTIONS</u>		
Contributions	150,565	41,344
Net assets released from restriction:		
Satisfaction of program restrictions	(29,034)	(12,221)
<u>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</u>	<u>121,531</u>	<u>29,123</u>
<u>CHANGE IN NET ASSETS</u>	<u>132,696</u>	<u>163,243</u>
<u>NET ASSETS, BEGINNING</u>	<u>654,664</u>	<u>491,421</u>
<u>NET ASSETS, ENDING</u>	<u>\$ 787,360</u>	<u>\$ 654,664</u>

Center for Prevention Services**Statement of Functional Expenses****Year Ended June 30, 2021, With Prior Year Comparative Totals**

	Year Ended June 30, 2021			Totals	2020 Totals
	Program Services	Management and General	Fund Raising		
Salaries and benefits	\$ 825,564	\$ 46,380	\$ 55,656	\$ 927,600	\$ 902,119
Materials	170,697	-	-	170,697	116,444
Fees and services	97,161	5,458	6,550	109,169	80,549
Occupancy	86,469	4,858	5,829	97,156	69,230
Depreciation	2,535	142	171	2,848	3,032
Marketing	56,568	101	122	56,791	54,334
Supplies	1,879	105	127	2,111	3,522
Training	6,818	383	460	7,661	14,094
Travel	21,099	1,186	1,422	23,707	31,912
Telephone	20,146	1,132	1,358	22,636	13,608
Insurance	-	4,971	-	4,971	13,080
Dues and subscriptions	1,634	92	110	1,836	2,739
Equipment expenses	3,413	192	230	3,835	4,553
Printing and postage	2,636	148	178	2,962	8,152
Miscellaneous	3,415	192	230	3,837	1,110
NET EXPENSES	\$ 1,300,034	\$ 65,340	\$ 72,443	\$ 1,437,817	\$ 1,318,478

Center for Prevention Services**Statement of Cash Flows****Year Ended June 30, 2021, With Prior Year Comparative Totals**

	<u>2021</u>	<u>2020</u>
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 132,696	\$ 163,243
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	2,848	3,032
Change in value of beneficial interest in assets held in trust	(101,670)	570
(Increase) decrease in operating assets:		
Receivables	(17,288)	(79,068)
Prepaid expenses	(56,324)	(4,115)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	7,016	53,380
<u>Cash Flows From Operating Activities</u>	<u>(32,722)</u>	<u>137,042</u>
<u>INVESTING ACTIVITIES</u>		
Sales of investments	2,996	14,181
Purchase of property and equipment	(1,065)	(4,087)
<u>Cash Flows From Investing Activities</u>	<u>1,931</u>	<u>10,094</u>
NET CHANGE IN CASH	(30,791)	147,136
CASH, BEGINNING	255,668	108,532
CASH, ENDING	\$ 224,877	\$ 255,668

Center for Prevention Services
Notes to Financial Statements
June 30, 2021

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 \$434,377 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 restrictions that are temporary or perpetual in nature. Net assets with donor restrictions that are temporary in nature are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization or the passage of time. Net assets with donor restrictions that are perpetual in nature are subject to donor-imposed stipulations that they be maintained permanently by the Organization. During the year, the Organization had no net assets with donor restrictions that were required to be held in perpetuity.

Center for Prevention Services
Notes to Financial Statements
June 30, 2021

Revenue Recognition

The Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2014-09, "*Revenue from Contracts with Customers*" (ASU 2014-09), during the fiscal 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 implementation of this standard did not have a material impact on its financial statements.

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.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No funds have been received in advance that have not been utilized.

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.

Center for Prevention Services
Notes to Financial Statements
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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.

Future pronouncements

The Organization expects to adopt the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-02, *Leases*, for the year ending June 30, 2023. The new standard will require the Organization to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes will entail certain retrospective adjustments. The qualitative effects on the Organization's future financial statements for these changes and related retrospective adjustments have not yet been determined.

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 2020 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.

Center for Prevention Services
Notes to Financial Statements
June 30, 2021

NOTE C - INVESTMENTS

Investment income for the year ended June 30, 2021, 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 \$434,377, 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	\$ 335,703
Change in value	101,670
Sale of investments	<u>(2,996)</u>
Balance, end of year	<u>\$ 434,377</u>

Center for Prevention Services
Notes to Financial Statements
June 30, 2021

NOTE D – PROPERTY AND EQUIPMENT

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

Computer equipment	\$	13,870
Other office equipment		7,489
Furniture and fixtures		<u>14,511</u>
Total		35,870
Less - accumulated depreciation		<u>32,013</u>
TOTAL	\$	<u><u>3,857</u></u>

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

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

Temporary in nature:		
Rowan County Syringe Access Program	\$	115,689
Queen City Needle Exchange		7,192
Photo Vision		3,963
Mason Fultz Foundation for H.O.P.E.		<u>44,803</u>
TOTAL	\$	<u><u>171,647</u></u>

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 \$26,428 for the year.

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Notes to Financial Statements
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NOTE G - LEASE OBLIGATIONS

The Organization leases office space and equipment under operating leases. During the year, the Organization made total payments of \$100,411 related to these leases. Future minimum rental payments due under these leases are as follows:

Year ended June 30:

2022	\$ 110,861
2023	76,463
2024	41,702
2025	43,370
2026	<u>22,110</u>
TOTAL	<u>\$ 294,506</u>

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 90 percent of its recurring support and revenue from four sources. At year-end, 68 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 \$379,840 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$224,877 and receivables of \$154,963, which are expected to be collected during the year. Of this total, \$171,647 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.

Center for Prevention Services
Notes to Financial Statements
June 30, 2021

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.