Center for Prevention Services

Financial Statements
June 30, 2018

Center for Prevention Services
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June 30, 2018

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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, 2018, 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, 2018 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 2017 financial statements, and our report dated October 17, 2017, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. DeWitt Foard & Company, P.A.

November 16, 2018

Member: American Institute of CPAs & North Carolina Association of CPAs

Center for Prevention Services
Statement of Financial Position
June 30, 2018, With Prior Year Comparative Totals

	2018	2017
ASSETS		
Current assets:		
Cash	$ 98,690	$ 97,257
Receivables:		
Grants and contracts	131,341	88,976
Sales tax and other	-	2,031
Inventory	1,009	1,260
Prepaid expenses	2,961	2,443
Total Current Assets	***234,001***	***191,967***
Investments:		
Beneficial interest in assets held in trust by third party	340,915	317,217
Property and equipment, net	8,208	12,940
TOTAL	***$ 583,124***	***$ 522,124***
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 53,246	$ 26,845
Total Current Liabilities	***53,246***	***26,845***
Net assets:		
Unrestricted:		
Undesignated	185,593	174,692
Designated	340,915	317,217
Total Unrestricted Net Assets	***526,508***	***491,909***
Temporarily restricted	3,370	3,370
Total Net Assets	***529,878***	***495,279***
TOTAL	***$ 583,124***	***$ 522,124***

Center for Prevention Services
Statement of Activities
Year Ended June 30, 2018, With Prior Year Comparative Totals

	2018	2017
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Governmental agency contracts and grants	$ 991,206	$ 940,028
Contributions	3,814	9,347
Program service fees	24,072	36,330
Investment earnings	23,700	41,913
Net assets released from restrictions:		
Satisfaction of program restrictions	-	303
TOTAL SUPPORT AND REVENUE	***1,042,792***	***1,027,921***
EXPENSES		
Program services	893,449	848,311
Management and general	97,605	90,311
Fund raising	17,139	29,501
TOTAL EXPENSES	***1,008,193***	***968,123***
CHANGE IN UNRESTRICTED NET ASSETS	***34,599***	***59,798***
TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from restrictions:		
Satisfaction of program restrictions	-	***(303)***
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	***(303)***
CHANGE IN NET ASSETS	***34,599***	***59,495***
NET ASSETS, BEGINNING	***495,279***	***435,784***
NET ASSETS, ENDING	***$ 529,878***	***$ 495,279***

Center for Prevention Services

Statement of Functional Expenses

Year Ended June 30, 2018, With Prior Year Comparative Totals

	June 30, 2018				
	Program Services	Management and General	Fund Raising	Totals	2017 Totals
Salaries and benefits	$ 596,866	$ 65,206	$ 11,451	$ 673,523	$ 649,930
Materials	4,800	524	92	5,416	17,889
Fees and services	52,775	5,765	1,012	59,552	63,189
Occupancy	58,850	6,429	1,129	66,408	63,061
Depreciation	4,194	458	80	4,732	6,625
Marketing	80,816	8,829	1,550	91,195	50,084
Supplies	2,882	315	55	3,252	4,083
Training	18,232	1,992	350	20,574	37,704
Travel	26,697	2,917	512	30,126	24,022
Telephone	13,414	1,465	257	15,136	16,889
Insurance	7,160	782	137	8,079	8,491
Dues and subscriptions	1,309	143	25	1,477	1,737
Equipment expenses	5,395	589	104	6,088	4,906
Printing and postage	11,848	1,294	227	13,369	8,767
Miscellaneous	8,211	897	158	9,266	10,746
NET EXPENSES	***$ 893,449***	***$ 97,605***	***$ 17,139***	***$ 1,008,193***	***$ 968,123***

Center for Prevention Services
Statement of Cash Flows
Year Ended June 30, 2018, With Prior Year Comparative Totals

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ 34,599	$ 59,495
Adjustments to reconcile change in net assets to		
net cash flows from operating activities:		
Depreciation	4,732	6,625
Change in value of beneficial interest in assets held in trust	(23,698)	(41,907)
(Increase) decrease in operating assets:		
Receivables	(40,334)	(45,920)
Inventory	251	7,828
Prepaid expenses	(518)	1,662
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	26,401	4,641
Cash Flows from Operating Activities	***1,433***	***(7,576)***
INVESTING ACTIVITIES		
Acquisition of equipment	-	(3,516)
Sales of beneficial interest in assets held in trust	-	2,595
Cash Flows from Investing Activities	***-***	***(921)***
FINANCING ACTIVITIES		
Repayments of long-term debt	-	(1,872)
Cash Flows from Financing Activities	***-***	***(1,872)***
NET CHANGE IN CASH	***1,433***	***(10,369)***
CASH, BEGINNING	***97,257***	***107,626***
CASH, ENDING	***$ 98,690***	***$ 97,257***

See accompanying notes to financial statements.

NOTE A - NATURE OF OPERATIONS

Organization
Center for Prevention Services (the Organization), formerly known as Substance Abuse Services, Inc., was established as a not-for-profit corporation under the laws of North Carolina in 1971. The Organization changed its name to its current form on October 17, 2011. The purpose of the Organization is to coordinate drug education and community organizing around substance abuse prevention in Mecklenburg County, North Carolina and other surrounding counties and to initiate and carry out drug education programs of its own across the nation. 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 three classes of net assets:

> *Unrestricted net assets* – Unrestricted net assets are those currently available for use in the day-to-day operation of the Organization and those resources invested in property and equipment. Designated net assets of $340,915 as of year-end represents the non-spendable balance of the quasi-endowment disclosed in Note C below.
>
> *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. As of year-end, the Organization has $3,370 of remaining temporarily restricted net assets to be used for The Latino Drug Free Coalition.
>
> *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. During the year the Organization had no permanently restricted net assets.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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. Accordingly, the Organization reports gifts of cash and other assets as temporarily restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period as received are reported as unrestricted support.

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 grants receivable are expected to be collected within one year. Based on a review of each individual 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
Expenses are allocated to program services, management and general, and fundraising based on management’s estimates of time spent and various allocation methods appropriate to the type of expense.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 2017 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

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 $340,915 are held in an investment pool with a fund type of *Quasi-Endowed Designated* and an asset investment strategy of *Active Long-Term*.

Investment earnings for the year as reported on the statement of activities consists of $23,698 increase in the value of the beneficial interest in assets held in trust and $2 of bank interest income.

NOTE C - INVESTMENTS, continued

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	$	317,217
Change in value		23,698
Balance, end of year	$	340,915

NOTE D - PROPERTY AND EQUIPMENT

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

Computer equipment	$	15,465
Other office equipment		7,489
Furniture, and fixtures		14,488
Total		37,442
Less - accumulated depreciation		29,234
TOTAL	$	8,208

NOTE E - 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 occur after three years. The Organization's contributions to the plan were $16,623 for the year.

NOTE F - LEASE OBLIGATIONS

The Organization leases office space and equipment under operating leases. During the year, the Organization made total payments of $64,132 related to these. Future minimum rental payments due under these leases are as follows:

Year ended June 30:	
2019	$ 65,333
2020	67,578
2021	69,901
2022	72,305
2023	36,365
TOTAL	$ 311,482

NOTE G - 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 81 percent of its recurring support and revenue from federal grants and contracts passed through a local agency from reimbursement contracts. At year-end, 80 percent of grants and contracts receivable are due from this agency. 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 H - 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 I - 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.