

SUBSTANCE ABUSE FREE ENVIRONMENT, INC.

Financial Statements

For the Years Ended June 30, 2019 and 2018

SUBSTANCE ABUSE FREE ENVIRONMENT, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Substance Abuse Free Environment, Inc.
Richmond, Virginia

We have audited the accompanying financial statements of Substance Abuse Free Environment, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019, 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 the 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 audits. We conducted our audits 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.

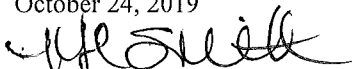
Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended June 30, 2018, derived from those unaudited financial statements, has not been audited, reviewed, or compiled, and, accordingly, we express no opinion on it.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Substance Abuse Free Environment, Inc. as of June 30, 2019, 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.

October 24, 2019



North Chesterfield, Virginia

SUBSTANCE ABUSE FREE ENVIRONMENT, INC.

Statements of Financial Position
As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	<u>Assets</u>	
Current assets:		
Cash (note 3)	\$ 65,593	25,406
Grants receivable (note 2)	46,128	16,479
Prepaid expenses	4,493	3,013
Security Deposit	<u>1,624</u>	<u>0</u>
Total current assets	<u>117,838</u>	<u>44,898</u>
Furniture and equipment	7,708	14,788
Less accumulated depreciation	<u>(6,624)</u>	<u>(12,988)</u>
Net furniture and equipment	<u>1,084</u>	<u>1,800</u>
	\$ <u><u>118,922</u></u>	\$ <u><u>46,698</u></u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Bank line-of-credit (note 2)	\$ 212	7,122
Accounts payable	22,004	5,001
Accrued salaries and wages	5,981	4,963
Accrued compensated absences	3,872	0
Payroll taxes payable	<u>3,868</u>	<u>2,709</u>
Total current liabilities	<u>35,937</u>	<u>19,795</u>
Net assets:		
Without donor restrictions	69,603	21,521
With donor restrictions (note 3)	<u>13,382</u>	<u>5,382</u>
Total net assets	<u>82,985</u>	<u>26,903</u>
	\$ <u><u>118,922</u></u>	\$ <u><u>46,698</u></u>

See accompanying notes and independent auditor's report.

SUBSTANCE ABUSE FREE ENVIRONMENT, INC.

Statements of Activities
For the Year Ended June 30, 2019, with Comparative Totals for 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
<u>Support and Revenue</u>				
Contributions (note 4):				
Brandermill Rotary	\$ 2,000		2,000	
Chesterfield County Police Department		8,000	8,000	
Rotary Club of Huguenot Trail	1,000		1,000	
The Observer	5,000		5,000	5,000
Towne Bank				2,000
Other	19,422		19,422	6,571
United Way	94		94	63
Contributed use of facilities (note 5)	25,909		25,909	1,176
Contributed services (note 6)	26,252		26,252	
Government grants:				
Virginia Department of Alcoholic Beverage Control	8,700		8,700	7,000
Virginia Department of Health	5,374		5,374	
Virginia Department of Motor Vehicles	155,676		155,676	150,905
Chesterfield Community Services Board	54,930		54,930	64,605
Chesterfield County	17,500		17,500	17,500
Department of Health and Human Services	49,849		49,849	
OPTR	4,599		4,599	
W/B HIDTA	23,699		23,699	
Program service revenue:				
Chesterfield County Public Schools	15,000		15,000	12,500
Other				
Interest income	25		25	48
Net assets released from restriction			-	-
	415,029	8,000	423,029	267,368
<u>Expenses</u>				
Program services	293,022	-	293,022	207,619
Support services:				
Management and general	56,182	-	56,182	47,202
Fund-raising	17,743	-	17,743	13,884
	366,947	-	366,947	268,705
Change in net assets	48,082	8,000	56,082	(1,337)
Net assets, beginning of year	21,521	5,382	26,903	28,240
Net assets, end of year	\$ 69,603	13,382	82,985	26,903

See accompanying notes and independent auditor's report.

SUBSTANCE ABUSE FREE ENVIRONMENT, INC.

Statements of Activities
For the Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support and Revenue</u>			
Contributions (note 4):			
The Observer	\$ 5,000		5,000
Towne Bank	2,000		2,000
Other	6,571		6,571
United Way	63		63
Contributed use of facilities (note 5)	1,176		1,176
Contributed services (note 6)			-
Government grants:			-
Virginia Department of Alcoholic Beverage Control	7,000		7,000
Virginia Department of Motor Vehicles	150,905		150,905
Chesterfield Community Services Board	64,605		64,605
Chesterfield County	17,500		17,500
Program service revenue:			-
Chesterfield County Public Schools	12,500		12,500
Other			-
Interest income	48		48
Net assets released from restriction	-	-	-
	<hr/>	<hr/>	<hr/>
Total support and revenue	267,368	-	267,368
<u>Expenses</u>			
Program services	207,620	-	207,620
Support services:			
Management and general	47,202	-	47,202
Fund-raising	13,883	-	13,883
	<hr/>	<hr/>	<hr/>
Total expenses	268,705	-	268,705
Change in net assets	(1,337)	-	(1,337)
Net assets, beginning of year	22,858	5,382	28,240
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 21,521	5,382	26,903
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See accompanying notes and independent auditor's report.

SUBSTANCE ABUSE FREE ENVIRONMENT, INC.

Statements of Functional Expenses
For the Year Ended June 30, 2019, with Comparative Totals for 2018

	2019			Total	2018
	Program Services	Management and General	Fund-raising		
Payroll and related expenses:					
Salaries and wages	\$ 122,963	18,958	12,574	154,495	125,823
Payroll tax expense	9,174	1,292	927	11,393	9,844
Total payroll and related expenses	132,137	20,250	13,501	165,888	135,667
Accounting	-	10,564		10,564	16,414
Bank charges	883	166	90	1,139	131
Business insurance	3,188	492	326	4,006	2,883
Conferences and meetings	4,928	1,791	1,067	7,786	4,215
Consultants	7,985			7,985	-
Depreciation	570	88	58	716	750
Dues and subscriptions	-	855		855	581
Educational materials	40,577	352	50	40,979	10,972
Interest expense	-	1,763		1,763	1,280
IT support	-	1,662		1,662	2,025
Media (note 6)	18,567	222		18,789	5,260
Office	1,758	6,211	8	7,977	4,510
Postage and shipping	8	421	10	439	75
Printing and publications	1,912	531		2,443	1,390
Professional (note 6)	51,557	4,606		56,163	70,696
Rent (note 5)	20,621	3,179	2,109	25,909	1
Supplies	443	1,081	26	1,550	2,581
Telephone	1,996	308	204	2,508	1,099
Travel	3,021	1,196		4,217	3,016
Utilities	2,871	444	294	3,609	5,159
	<u>\$ 293,022</u>	<u>56,182</u>	<u>17,743</u>	<u>366,947</u>	<u>268,705</u>

See accompanying notes and independent auditor's report.

SUBSTANCE ABUSE FREE ENVIRONMENT, INC.

Statements of Functional Expenses
For the Year Ended June 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Payroll and related expenses:				
Salaries and wages	\$ 98,500	15,926	11,397	125,823
Payroll tax expense	<u>7,716</u>	<u>1,235</u>	<u>893</u>	<u>9,844</u>
Total payroll and related expenses	106,216	17,161	12,290	135,667
Accounting		16,414		16,414
Bank charges	103	16	12	131
Business insurance	2,260	362	261	2,883
Conferences and meetings	3,043	106	1,066	4,215
Depreciation	588	94	68	750
Dues and subscriptions		581		581
Educational materials	10,897		75	10,972
Interest expense		1,280		1,280
IT support		2,025		2,025
Media (note 6)	5,153	107		5,260
Office	1,899	2,603	8	4,510
Postage and shipping	31	41	3	75
Printing and publications	1,135	255		1,390
Professional (note 6)	69,149	1,547		70,696
Rent (note 5)	-	1		1
Supplies	2,041	540		2,581
Telephone	861	138	100	1,099
Travel	2,503	513		3,016
Utilities	<u>1,741</u>	<u>3,418</u>		<u>5,159</u>
	<u>\$ 207,620</u>	<u>47,202</u>	<u>13,883</u>	<u>268,705</u>

See accompanying notes and independent auditor's report.

SUBSTANCE ABUSE FREE ENVIRONMENT, INC.

Statements of Cash Flows
For the Year Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 56,082	(1,337)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	716	750
(Increase) decrease in grants receivable	(29,648)	12,225
(Increase) decrease in prepaid expenses	(1,480)	1,408
(Increase) decrease in security deposit	(1,624)	-
Increase (decrease) in accounts payable	17,003	(5,909)
Increase (decrease) in accrued salaries and wages	1,018	2
Increase (decrease) in accrued compensated absences	3,872	(3,028)
Increase (decrease) in payroll taxes payable	<u>1,158</u>	<u>(61)</u>
Net cash provided by operating activities	<u>47,097</u>	<u>4,050</u>
Cash flows from investing activities:		
Purchases of furniture and equipment	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities:		
Net borrowings on bank line-of-credit	<u>(6,910)</u>	<u>4,402</u>
Net cash provided by financing activities	<u>(6,910)</u>	<u>4,402</u>
Net increase (decrease) in cash	40,187	8,452
Cash, beginning of year	<u>25,406</u>	<u>16,954</u>
Cash, end of year	<u>\$ 65,593</u>	<u>25,406</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 1,763</u>	<u>1,280</u>

See accompanying notes and independent auditor's report.

SUBSTANCE ABUSE FREE ENVIRONMENT, INC.

Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Substance Abuse Free Environment, Inc. (the "Organization" and "SAFE") is a Virginia not-for-profit corporation formed in 1999. The Organization's mission is to engage the Chesterfield County, Virginia community in working together to prevent and reduce substance abuse.

The Organization's primary initiatives include developing community partnerships to expand substance abuse prevention efforts to all sectors of the community, advocating for laws and policies that reduce substance abuse and for funding for substance abuse prevention efforts, increasing awareness of substance abuse issues, and involving youth in leadership roles to influence their peers, adults and community leaders about the value of substance abuse free living.

The Organization's primary sources of support and revenue are government grants and contributions from individuals, businesses and other organizations.

(b) Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, prepaid expenses, payables and other accrued expenses.

(c) Financial Statement Presentation

The financial statement presentation conforms to the requirements of the Financial Accounting Standards Board ("FASB") as defined in the FASB Accounting Standards Codification ("ASC") Topic 958, "Not-for-Profit Entities". Under FASB ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. These classifications are based on the existence or absence of donor-imposed restrictions.

The Organization reports gifts as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

The Organization reports gifts as donor 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 a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

The Organization reports its expenses by their functional classification. Certain expenses have been allocated among the programs and supporting services benefited.

Program services are the activities that result in goods and services being provided to beneficiaries and customers that fulfill the mission for which the Organization exists.

SUBSTANCE ABUSE FREE ENVIRONMENT, INC.

Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

(1) Summary of Significant Accounting Policies (continued)

(c) Financial Statement Presentation (continued)

Management and general services include oversight, business management, general recordkeeping, budgeting, financing, and all management and administration except for direct conduct of program services or fund-raising activities.

Fund-raising activities include publicizing and conducting fund-raising campaigns, maintaining donor mailing lists, conducting special fund-raising events, and other activities involved with soliciting contributions.

(d) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(e) Grants Receivable

Grants receivable consist of amounts expended under reimbursable government grants that were not yet reimbursed by the respective grantors as of June 30, 2019 and 2018 and are reported at net realizable value. As of June 30, 2019 and 2018, all outstanding grants receivable were expected to be collected within one year and were considered fully collectible, therefore no allowance for doubtful grants receivable has been established.

(f) Property and Equipment

Property and equipment with a useful life of more than one year and a unit acquisition cost of \$1,000 or more are recorded at cost if purchased or fair value at the date of donation if contributed. The Organization will expense the full acquisition cost of tangible personal property below these thresholds in the year of purchase. 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation is provided using the straight-line method over the estimated useful lives of assets.

SUBSTANCE ABUSE FREE ENVIRONMENT, INC.

Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

(1) Summary of Significant Accounting Policies (continued)

(g) Compensated absences

Regular full-time employees earn paid annual and sick leave based on their length-of-service. Up to ten days of annual leave may be carried forward from one calendar year to the next. Earned but unused annual leave is paid to terminating employees. There is no limit to the amount of sick leave carried over from one year to the next, however, terminating employees are not compensated for any unused sick leave.

Annual leave and sick leave benefits are accrued in the financial statements as they are earned.

(h) Government Grants

Certain grants from government agencies are conditioned upon the Organization incurring certain qualifying costs and are recognized as support as those costs are incurred.

(i) In-kind Contributions

Contributed supplies, and use of facilities are reported as support and expenses in the period received at estimated fair value when determinable.

Unskilled volunteer services neither create nor enhance nonfinancial assets nor do they require specialized skills, and thus are not recognized as support, assets or expense in the financial statements.

Contributions of services that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded as support and expenses at estimated fair value when determinable.

(j) Advertising

Advertising costs are expensed as incurred.

(k) Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 58.1-401.5 of the Code of Virginia, except for taxes on unrelated business income as defined under IRC Sections 511 through 515, and is classified by the Internal Revenue Service as an organization that is not a private foundation. There was no unrelated business income for 2019, accordingly, no provision for income taxes is made in the financial statements.

FASB ASC Topic 740, "Income Taxes", requires income tax benefits to be recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. As the Organization reports on the accrual basis of accounting, any adjustments made by tax authorities are recorded when assessed.

SUBSTANCE ABUSE FREE ENVIRONMENT, INC.

Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

(1) Summary of Significant Accounting Policies (continued)

(k) Income Taxes (continued)

The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and the Virginia Department of Taxation. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial statements.

The Organization's income tax returns are subject to examination by federal and Virginia tax authorities. With few exceptions, the Organization is no longer subject to U.S. federal tax examinations by tax authorities for years before 2011.

(l) Liquidity Management

The Organization has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations become due. In the event of an unanticipated liquidity need, the Organization could draw upon \$75,000 of an available line of credit (as discussed in Note 2).

(2) Bank Line-of-Credit

The Organization has a \$75,000 revolving line-of-credit with a bank (the "Line"), of which, \$212 and \$7,122 is outstanding at June 30, 2019 and 2018, respectively. The Line bears interest, payable monthly, at the prime rate plus 1.0% per annum. The applicable interest rate at June 30, 2019 is 6.50%.

The Line is secured by all accounts receivable of the Organization. The current maturity date of the Line is June 26, 2020. The Organization expects the bank to renew the Line for another year under substantially similar terms upon completion of the 2019 financial statement audit.

(3) Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 consist of \$13,382 and \$5,382 in cash restricted for future program expenditures.

(4) Related Party Transactions

Contributions in the accompanying statement of activities include donations from members of the Organization's board of directors of \$8,716 for the year ended June 30, 2019, and \$5,250 from businesses owned by a member of the Organization's board of directors for the year ended June 30, 2019.

SUBSTANCE ABUSE FREE ENVIRONMENT, INC.

Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

(5) Operating Lease

Office space used by the Organization is leased under an operating lease which expires in September 2022. Rent expense for the office space totaled \$24,659 in 2019, of which, the Organization paid \$1 and the remainder was provided in-kind by the landlord. Future minimum lease payments at under the lease are as follows:

2020	\$19,488
2021	\$20,073
2022	\$20,670

(6) Contributed Services

Contributed services reported in the accompanying 2019 financial statements consist of media production services and airtime valued at \$18,267 in 2019 and in-kind contributions of medical, legal and financial professional services valued at \$7,985 in 2019.

In addition, a substantial number of volunteers have donated considerable amounts of their time to SAFE's programs and supporting services, however, none of these contributed services met the requirements for recognition in the financial statements. The Organization estimates the value of these in-kind contributions at \$24,896 in 2019.

(7) Concentrations

In-kind contributions of facilities use made by another business generated an additional 6% of SAFE's 2019 total support and revenue.

The Virginia Department of Motor Vehicles made a grant totaling 37% of the Organization's support and revenue for 2019.

(8) Subsequent Events

The Organization has evaluated all subsequent events through October 25, 2019, the date the financial statements were available to be issued.