

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

**AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

SEPTEMBER 30, 2023

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.

Opinion

We have audited the accompanying financial statements of Agency for Substance Abuse Prevention, Inc.. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Agency for Substance Abuse Prevention, Inc. as of September 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Agency for Substance Abuse Prevention, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Agency for Substance Abuse Prevention, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency for Substance Abuse Prevention, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Agency for Substance Abuse Prevention, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on page 15, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2023, on our consideration of Agency for Substance Abuse Prevention, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Agency for Substance Abuse Prevention, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Agency for Substance Abuse Prevention, Inc.'s internal control over financial reporting and compliance.



Gadsden, Alabama

November 14, 2023

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2023

ASSETS

Current Assets

Cash	\$	904,258
Receivables, Net		51,689
Prepaid Advertising		-
Operating Lease Right of Use Asset - Current		40,628
Total Current Assets		996,575

Fixed Assets

Depreciable Assets		
Machinery and Equipment		91,843
Furniture and Fixtures		37,389
Less: Accumulated Depreciation		(92,216)
Fixed Assets, Net		37,016

Noncurrent Assets

Operating Lease Right of Use Asset - Noncurrent		85,642
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Total Assets	\$	1,119,233
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable		5,038
Accrued Payroll		21,558
Accrued Compensated Absences		6,836
Operating Lease Liability - Current		40,628
Total Current Liabilities		74,060

Long-Term Liabilities

Operating Lease Liability - Long Term		85,642
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Total Liabilities		159,702
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Net Assets

Without Donor Restrictions		959,531
Total Net Assets		959,531

Total Liabilities and Net Assets	\$	1,119,233
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AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Without Donor Restrictions	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Federal Grants	\$ -	\$ 1,028,079	\$ 1,028,079
State Grants	-	133,332	133,332.00
Grants - Other	-	169,819	169,819.00
School Board Program Income - Why Try	-	40,500	40,500.00
Special Events (Net of Expense)	2,690	-	2,690.00
City of Oxford Allocation	7,000	-	7,000.00
Contributions	46,645	-	46,645.00
Interest Income	1,479	-	1,479.00
Total Other Revenues	<u>57,814.00</u>	<u>1,371,730.00</u>	<u>1,429,544.00</u>
Net Assets Released from Restrictions			
Restrictions Satisfied by Accomplishment of Purpose Restrictions	<u>1,371,730</u>	<u>(1,371,730)</u>	<u>-</u>
Total Revenues, Gains and Other Support	1,429,544	-	1,429,544
Functional Expenses			
Program Expenses	1,181,519	-	1,181,519
Support Services, Management and General	<u>195,318</u>	<u>-</u>	<u>195,318</u>
Total Functional Expenses	<u>1,376,837</u>	<u>-</u>	<u>1,376,837</u>
Change in Net Assets	52,707	-	52,707
Net Assets, Beginning	<u>906,824</u>	<u>-</u>	<u>906,824</u>
Net Assets, Ending	<u>959,531</u>	<u>-</u>	<u>959,531</u>

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Program Expenses	Support Management and General	Total
<u>Compensation and Related Expenses</u>			
Salaries	\$ 434,288	\$ 144,763	\$ 579,051
Employee Benefits	27,931	9,310	37,241
Payroll Tax Expense	35,099	11,700	46,799
Worker Compensation Insurance	2,814	939	3,753
Total Compensation and Related Expenses	500,132	166,712	666,844
<u>Occupancy Expenses</u>			
Rent	30,525	10,175	40,700
Utilities	11,095	3,699	14,794
Building Repairs and Maintenance	45	15	60
Total Occupancy Expenses	41,665	13,889	55,554
<u>Administrative Expenses</u>			
Administration Fees	6,787	2,262	9,049
Computer and Network Maintenance	55	-	55
Dues and Subscriptions	3,199	-	3,199
Insurance	4,432	1,477	5,909
Postage and Delivery	582	195	777
Professional and Legal Fees	8,273	8,273	16,546
Total Administrative Expenses	23,328	12,207	35,535
<u>Other Program Expenses</u>			
Back to School Event	257	-	257
Gift of Flight	1,000	-	1,000
Advertising	390,311	-	390,311
Comic Book Expense	11,190	-	11,190
Conferences and Conventions	9,739	-	9,739
Contract Labor	16,492	-	16,492
Equipment Rental & Maintenance	385	-	385
Faith Based Support Specialist Training	24,148	-	24,148
Love 4HC	2,404	-	2,404
Miscellaneous	8,962	-	8,962
Printing and Publications	11,291	-	11,291
Program	7,140	-	7,140
Safe Expense	20,439	-	20,439
Scholarship Program	3,500	-	3,500
Supplies	46,489	-	46,489
Travel	53,043	-	53,043
Website Design and Maintenance	2,074	-	2,074
Total Other Program Expenses	608,864	-	608,864
Total Expenses Before Depreciation	1,173,989	192,808	1,366,797
Depreciation	7,530	2,510	10,040
Total Functional Expenses	<u>\$ 1,181,519</u>	<u>\$ 195,318</u>	<u>\$ 1,376,837</u>

See Notes To Financial Statements

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Cash Flows From Operating Activities

Increase (decrease) in net assets from operations \$ 52,707

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

Depreciation	10,040
(Increase) decrease in receivables	166,211
(Increase) decrease in prepaid advertising	191,015
Increase (decrease) in accounts payable	4,055
Increase (decrease) in accrued payroll	4,820
Increase (decrease) in accrued compensated absences	<u>(4,590)</u>
Net cash provided (used) by operating activities	424,258

Cash Flows From Investing Activities

Purchase of fixed assets	<u>(19,340)</u>
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Net increase (decrease) in cash 404,918

Beginning cash 499,340

Ending cash \$ 904,258

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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. A Board of Directors governs the Organization. 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. Recognition of revenue occurs 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 are no assets with donor restrictions as of September 30, 2023.

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.

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

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.

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.

(Continued)

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

Revenues and Support (Continued)

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.

Leases

The Organization leases real estate used in operations. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in the statement of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in the statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Since most of the Organization's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the Organization's incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option.

The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. For certain equipment leases, the Organization accounts for the lease and non-lease components as a single lease.

(Continued)

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

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.

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. Depreciation is allocated based on the estimated use of the underlying property and equipment.

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 \$955,947 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 \$904,258, and receivables totaling \$51,689.

NOTE C – CASH AND INVESTMENTS

Cash consists of funds held in demand deposit accounts. The balance for the year ended September 30, 2023 was \$904,258.

Demand deposit accounts are held in one financial institution. At times, balances exceed federally insured limits and are uninsured.

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2023 consisted of the following:

	2023
Grant receivable – DMH	\$ 34,368
Grant receivable – Other	17,321
Less: allowance for doubtful accounts	(0)
Accounts receivable, net	\$ 51,689

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, 2023.

NOTE E – FIXED ASSETS

	Balance 09/30/2022	Additions	Deletions	Balance 09/30/2023
Depreciable Assets				
Machinery & Equipment	\$ 80,525	\$ 11,318	\$ -	\$ 91,843
Furniture and fixtures	29,367	8,022	-	37,389
Total Depreciable Assets	109,892	19,340	-	129,232
Less: accum. depreciation	(82,176)	(10,040)	-	(92,216)
Total Fixed Assets, Net	\$ 27,716	\$ 9,300	\$ -	\$ 37,016

Depreciation expense for the year ended September 30, 2023 was \$10,040.

NOTE F – ACCOUNTS PAYABLE

Accounts payable consists of amounts due to vendors. The balance at September 30, 2023 was \$5,038.

NOTE G – COMPENSATION AND RELATED EXPENSES

Accrued payroll at September 30, 2023 consists of accrued salaries. The balance at September 30, 2023 was \$21,558. Accrued compensated absences consist of vacation owed at September 30, 2023 of \$6,836.

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE H – ADVERTISING COSTS

The Organization expenses advertising costs as they are incurred. The Organization has no direct-response advertising costs. Advertising expense at September 30, 2023 was \$390,311. The Organization had prepaid advertising as of September 30, 2023 for advertising services rendered subsequent to year-end.

NOTE I – 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 J – ECONOMIC DEPENDENCE

The Organization is significantly dependent on funding from the Alabama Department of Mental Health / Mental Retardation. For the year ended September 30, 2023, the grant revenues from DMH/MR represented approximately 94% of total revenues.

NOTE K – LEASING ARRANGEMENTS

The Organization leases the real estate used in operations under an arrangement that qualifies as an operating lease. The lease calls for monthly payments of \$3,700 over the lease term which began in October 2021 and ends in September 2026. Lease expense is recognized for this lease on a straight line basis over the lease term. Lease expense for the year ended August 31, 2023 was \$40,700 and was included in the rent expense line on the statement of functional expenses for the programs that used the facilities.

The Organization has elected to apply the short-term lease exception to all leases with a term of one year or less.

(Continued)

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE K – LEASING ARRANGEMENTS (Continued)

As of September 30, 2023, the right-of-use (ROU) asset had a balance of \$126,271, as shown in current and long term assets on the statement of financial position. The lease liability is included in current and long-term liabilities in the amount of \$126,271. The lease asset and liability were calculated using the Organization's incremental borrowing rate, according to the Organization's elected policy. The lease will expire in September 2026 and there is no option to extend or renew the lease.

Maturities of operating lease liabilities as of September 30, 2023 are as follows:

Year ending September 30	
2024	\$ 44,400
2025	44,400
2026	44,400
Less Interest	<u>(6,929)</u>
Present Value of Lease Liabilities	<u>\$ 126,271</u>

SUPPLEMENTAL INFORMATION

**AGENCY FOR SUBSTANCE ABUSE PREVENTION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2023**

	Federal CFDA Number	Non-COVID-19 Expenditures	COVID-19 Expenditures	Total
<u>U.S. Department of Health and Human Services</u>				
Indirect Programs Passed Through Alabama Department of Mental Health Block Grant for Prevention and Treatment of Substance Abuse	93.959	\$ 682,669	10,885	693,554
Projects of Regional and National Significance	93.243	89,362	-	89,362
Injury Prevention and Control Research and State and Community Based Programs	93.136	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Total U.S. Department of Health and Human Services		952,031	10,885	962,916
Total Federal Financial Assistance		<u>\$ 952,031</u>	<u>\$ 10,885</u>	<u>\$ 962,916</u>

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Agency for Substance Abuse Prevention, Inc. under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Agency for Substance Abuse Prevention, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of Agency for Substance Abuse Prevention, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

To the Board of Directors of
Agency for Substance Abuse Prevention, Inc.
Gadsden, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Agency for Substance Abuse Prevention, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Agency for Substance Abuse Prevention, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Agency for Substance Abuse Prevention, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency for Substance Abuse Prevention, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-1 that we consider to be material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Agency for Substance Abuse Prevention, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Agency for Substance Abuse Prevention, Inc.'s Response to Findings

Agency for Substance Abuse Prevention, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Agency for Substance Abuse Prevention, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Gadsden, Alabama

November 14, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the Board
Agency for Substance Abuse Prevention, Inc.
Gadsden, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Agency for Substance Abuse Prevention, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Agency for Substance Abuse Prevention, Inc.'s major federal programs for the year ended September 30, 2023. The Agency for Substance Abuse Prevention, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency for Substance Abuse Prevention, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency for Substance Abuse Prevention, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency for Substance Abuse Prevention, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Agency for Substance Abuse Prevention, Inc.. Complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

Management of Agency for Substance Abuse Prevention, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Agency for Substance Abuse Prevention, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency for Substance Abuse Prevention, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Gadsden, Alabama
November 2023

**AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2023**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	-Yes-
Significant deficiencies identified	-No-
Non-compliance material to financial statements noted	-No-

Federal Awards:

Internal controls over major programs	
Material weaknesses identified	-No-
Significant deficiencies identified	-No-
Type of auditor’s report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	-No-

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment Of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as a low-risk auditee	-No-

**AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS

Current year audit findings:

2023-001 Segregation of Duties

Criteria: A basic internal control over financial reporting is the segregation of duties of transaction processing, record keeping, reconciliation, and custody of assets.

Condition : This is an inherent limitation for entities that are small in size and thus, have limited staff to perform designated functions.

Context/Cause : During our audit, we noted that duties were not segregated in a number of areas where small adjustments to the policies of the Organization could help to further facilitate this important control. These areas include cash disbursements, bank reconciliation, customer billing, cash receipts and collections, and approval of journal entries.

Effects: Lack of segregation of duties and a corresponding lack of monitoring and oversight increases exposure to misappropriation of assets and errors in financial reporting.

Recommendation ; We recommend that management continue to evaluate the procedures and policies used in the accounting area and continue to segregate duties where possible. Additional oversight, monitoring, and approval will be necessary in areas where duties cannot be segregated at an optimal level due to limitations in staff size.

Auditee’s Response; Management has issued written policies and required training of all employees that handle financial transactions and has continually evaluated processes to find ways to segregate duties where possible. Management and the board of directors continue to oversee operations closely requiring approvals for all transactions.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Summary schedule of prior year audit findings:

2022-001 Segregation of Duties

Status: Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of separation. The governing board is becoming more involved in providing some of these controls.

2022-002 Material Adjustments

Status: Corrected

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 G3021121, G3021124, G3021177, G3021120, and G3021162, between the Department of Mental Health (DMH) and the Agency for Substance Abuse Prevention, Inc. as of and for the year ended September 30, 2023.

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.



Gadsden, Alabama

November 14, 2023