AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
OXFORD, ALABAMA

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

SEPTEMBER 30, 2025 AND 2024

GERALD G. PENTECOST, JR., CPA

Certified Public Accountants

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FINANCIAL SECTION

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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, 2025 and 2024, 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, 2025 and 2024, 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 16, 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 18, 2025, 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

December 18, 2025

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2025 & 2024

ASSETS		2025		2024
Current Assets				
Cash	$	762,391	$	879,392
Receivables, Net		245,281		200,905
Operating Lease Right of Use Asset - Current		43,570		40,628
Total Current Assets		1,051,242		1,120,925
Fixed Assets				
Depreciable Assets				
Leasehold improvements	$	17,625	$	17,625
Machinery and Equipment		98,162		91,843
Furniture and Fixtures		38,830		37,389
Less: Accumulated Depreciation		(116,156)		(104,144)
Fixed Assets, Net		38,461		42,713
Noncurrent Assets				
Operating Lease Right of Use Asset - Noncurrent		-		45,015
Total Assets	$	1,089,703	$	1,208,653
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable		5,268		56,865
Accrued Payroll		14,226		19,476
Accrued Compensated Absences		4,386		5,571
Operating Lease Liability - Current		43,570		40,628
Total Current Liabilities		67,450		122,540
Long-Term Liabilities				
Operating Lease Liability - Long Term		-		45,015
Total Liabilities		67,450		167,555
Net Assets				
Without Donor Restrictions		1,022,253		1,041,098
Total Net Assets		1,022,253		1,041,098
Total Liabilities and Net Assets	$	1,089,703	$	1,208,653

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Federal Grants	$ -	$ 954,751	$ 954,751
State Grants	-	144,165	144,165
Grants - Other	-	90,000	90,000
City of Oxford Allocation	7,000	-	7,000
Contributions	25,199	-	25,199
Interest Income	2,439	-	2,439
Total Other Revenues	34,638	1,188,916	1,223,554
Net Assets Released from Restrictions			
Restrictions Satisfied by Accomplishment of Purpose Restrictions	1,188,916	(1,188,916)	-
Total Revenues, Gains and Other Support	1,223,554	-	1,223,554
Functional Expenses			
Program Expenses	1,044,217	-	1,044,217
Support Services, Management and General	198,182	-	198,182
Total Functional Expenses	1,242,399	-	1,242,399
Change in Net Assets	(18,845)	-	(18,845)
Net Assets, Beginning	1,041,098	-	1,041,098
Net Assets, Ending	1,022,253	-	1,022,253

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Federal Grants	$ -	$ 2,084,568	$ 2,084,568
State Grants	-	135,000	135,000
Grants - Other	-	62,130	62,130
School Board Program Income - Why Try	-	20,000	20,000
City of Oxford Allocation	7,000	-	7,000
Contributions	22,182	-	22,182
Interest Income	2,193	-	2,193
Total Other Revenues	31,375	2,301,698	2,333,073
Net Assets Released from Restrictions			
Restrictions Satisfied by Accomplishment of Purpose Restrictions	2,301,698	(2,301,698)	-
Total Revenues, Gains and Other Support	2,333,073	-	2,333,073
Functional Expenses			
Program Expenses	2,033,935	-	2,033,935
Support Services, Management and General	217,571	-	217,571
Total Functional Expenses	2,251,506	-	2,251,506
Change in Net Assets	81,567	-	81,567
Net Assets, Beginning	959,531	-	959,531
Net Assets, Ending	1,041,098	-	1,041,098

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Program Expenses	Support Management and General	Total
Compensation and Related Expenses			
Salaries	$ 422,018	$ 140,673	562,691
Employee Benefits	30,811	10,271	41,082
Payroll Tax Expense	36,292	12,097	48,389
Retirement Expense	18,014	6,004	24,018
Worker Compensation Insurance	2,866	955	3,821
Total Compensation and Related Expenses	510,001	170,000	680,001
Occupancy Expenses			
Rent	33,300	11,100	44,400
Utilities	11,942	3,980	15,922
Building Repairs and Maintenance	415	139	554
Total Occupancy Expenses	45,657	15,219	60,876
Administrative Expenses			
Administration Fees	5,848	1,949	7,797
Computer and Network Maintenance	313	-	313
Dues and Subscriptions	8,222	-	8,222
Insurance	4,637	1,546	6,183
Postage and Delivery	1,472	490	1,962
Professional and Legal Fees	5,975	5,975	11,950
Total Administrative Expenses	26,467	9,960	36,427
Other Program Expenses			
Back to School Event	374	-	374
Advertising	139,761	-	139,761
Ballers against Bullets	1,000	-	1,000
Celebrity Endorsemens	24,920	-	24,920
Comic Book Expense	27,875	-	27,875
Conferences and Conventions	5,516	-	5,516
Contract Labor	4,485	-	4,485
Equipment Rental & Maintenance	5,273	-	5,273
Faith Based Support Specialist Training	102,603	-	102,603
Miscellaneous	37,498	-	37,498
Printing and Publications	18,771	-	18,771
Program	27,546	-	27,546
Scholarship Program	3,000	-	3,000
Supplies	11,123	-	11,123
Travel	43,337	-	43,337
Total Other Program Expenses	453,082	-	453,082
Total Expenses Before Depreciation	1,035,207	195,179	1,230,386
Depreciation	9,010	3,003	12,013
Total Functional Expenses	$ 1,044,217	$ 198,182	1,242,399

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Program Expenses	Support Management and General	Total
Compensation and Related Expenses			
Salaries	$ 444,995	$ 148,332	593,327
Employee Benefits	28,315	9,438	37,753
Payroll Tax Expense	35,953	11,984	47,937
Retirement Expense	49,456	16,486	65,942
Worker Compensation Insurance	2,998	1,000	3,998
Total Compensation and Related Expenses	561,717	187,240	748,957
Occupancy Expenses			
Rent	36,075	12,025	48,100
Utilities	11,302	3,767	15,069
Building Repairs and Maintenance	596	199	795
Total Occupancy Expenses	47,973	15,991	63,964
Administrative Expenses			
Administration Fees	6,328	2,109	8,437
Computer and Network Maintenance	143	-	143
Dues and Subscriptions	4,935	-	4,935
Insurance	3,976	1,325	5,301
Postage and Delivery	737	246	983
Professional and Legal Fees	7,678	7,678	15,356
Total Administrative Expenses	23,797	11,358	35,155
Other Program Expenses			
Back to School Event	261	-	261
Advertising	984,786	-	984,786
Ballers against Bullets	10,278	-	10,278
Celebrity Endorsemens	72,269	-	72,269
Comic Book Expense	11,551	-	11,551
Conferences and Conventions	7,220	-	7,220
Contract Labor	12,377	-	12,377
Equipment Rental & Maintenance	4,875	-	4,875
Faith Based Support Specialist Training	46,079	-	46,079
Interest Expense	1,336	-	1,336
Miscellaneous	20,981	-	20,981
Printing and Publications	66,292	-	66,292
Program	11,318	-	11,318
Safe Expense	140	-	140
Scholarship Program	3,500	-	3,500
Supplies	87,103	-	87,103
Travel	50,786	-	50,786
Website Design and Maintenance	350	-	350
Total Other Program Expenses	1,391,502	-	1,391,502
Total Expenses Before Depreciation	2,024,989	214,589	2,239,578
Depreciation	8,946	2,982	11,928
Total Functional Expenses	$ 2,033,935	$ 217,571	2,251,506

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2025 & 2024

	2025	2024
Cash Flows From Operating Activities		
Increase (decrease) in net assets from operations	$ (18,845)	$ 81,567
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	12,013	11,928
(Increase) decrease in receivables	(44,376)	(149,216)
Increase (decrease) in accounts payable	(51,597)	51,826
Increase (decrease) in accrued payroll	(5,250)	(2,082)
Increase (decrease) in accrued compensated absences	(1,185)	(1,264)
Net cash provided (used) by operating activities	(109,240)	(7,241)
Cash Flows From Investing Activities		
Purchase of fixed assets	(7,761)	(17,625)
Cash Flows From Financing Activities		
Proceeds from borrowings on short-term loans	-	400,000
Repayments of short-term loans	-	(400,000)
Net cash provided (used) by financing activities	-	-
Net increase (decrease) in cash	(117,001)	(24,866)
Beginning cash	879,392	904,258
Ending cash	$ 762,391	$ 879,392

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, 2025 and 2024.

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.

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	
	Useful Life
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)

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 include 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)

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 $1,007,672 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 $762,391, and receivables totaling $245,281.

NOTE C – CASH AND INVESTMENTS

Cash consists of funds held in demand deposit accounts. The balance for the year ended September 30, 2025 and 2024 were $762,391 and $879,392, respectively.

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

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2025 consisted of the following:

		2025
Grant receivable – DMH	$	245,281
Less: allowance for doubtful accounts		(0)
Accounts receivable, net	$	245,281

Accounts receivable at September 30, 2024 consisted of the following:

		2024
Grant receivable – DMH	$	200,905
Less: allowance for doubtful accounts		(0)
Accounts receivable, net	$	200,905

The allowance for doubtful accounts determined by management is based on the estimated uncollectible dues and other revenues at the end of the year and is determined to be $0 at September 30, 2025 and 2024 since the receivables are contractual in nature.

NOTE E – FIXED ASSETS

		Balance 09/30/2024		Additions		Deletions		Balance 09/30/2025
Depreciable Assets								
Machinery & Equipment	$	91,843	$	6,919	$	-	$	98,162
Leasehold Improvements		17,625		-				17,625
Furniture and fixtures		37,389		1,441		-		38,830
Total Depreciable Assets		146,857		7,761		-		154,617
Less: accum. depreciation		(104,144)		(12,012)		-		(116,156)
Total Fixed Assets, Net	$	42,713	$	(4,251)	$	-	$	38,461

(Continued)

NOTE E – FIXED ASSETS- Continued

	Balance 09/30/2023	Additions	Deletions	Balance 09/30/2024
Depreciable Assets				
Machinery & Equipment	$ 91,843	$ -	$ -	$ 91,843
Leasehold Improvements	-	17,625		17,625
Furniture and fixtures	37,389	-	-	37,389
Total Depreciable Assets	129,232	17,625	-	146,857
Less: accum. depreciation	(92,216)	(11,928)	-	(104,144)
Total Fixed Assets, Net	$ 37,016	$ 5,697	$ -	$ 42,713

Depreciation expense for the year ended September 30, 2025 and 2024 were $12,012 and $11,928, respectively.

NOTE F – ACCOUNTS PAYABLE

Accounts payable consists of amounts due to vendors. The balance at September 30, 2025 and 2024 were $5,268 and $56,865, respectively.

NOTE G – COMPENSATION AND RELATED EXPENSES

Accrued payroll at September 30, 2025 and 2024 consists of accrued salaries. The balance at September 30, 2025 and 2024 were $14,226 and $19,476, respectively. Accrued compensated absences consist of vacation owed at September 30, 2025 and 2024 were $4,386 and $5,571, respectively.

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, 2025 and 2024 were $141,158 and $984,786, respectively.

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, 2025 and 2024 respectively, the grant revenues from DMH/MR represented approximately 89% and 95% 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 September 30, 2025 and 2024 were $44,400 and $48,100, respectively 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.

As of September 30, 2025 and 2024, the right-of-use (ROU) asset had a balance of $43,570 and $85,643, respectively, 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 for $43,570 and $85,643. The lease asset and liability were calculated using the Organization's incremental borrowing rate, according to the Organization 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, 2025 are as follows:

Year ending September 30	
2026	44,400
Less Interest	(830)
Present Value of Lease Liabilities	$ 43,570

NOTE L – RETIREMENT PLAN

The Agency sponsors a qualified salary 401K plan as permitted under relevant sections of the Internal Revenue Code. Participants make voluntary contributions to the plan in the form of pre-tax salary deferrals. The Agency matches the participant's contribution up to 5% of eligible compensation. Participants are fully vested in their own deferrals, while matching contributions are subject to vesting. Matching contributions to the plan during 2025 and 2024 were $24,018 and $65,942, respectively.

SUPPLEMENTAL INFORMATION

AGENCY FOR SUBSTANCE ABUSE PREVENTION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2025

	Federal CFDA Number	Non-COVID-19 Expenditures	COVID-19 Expenditures	Total
U.S. Department of Health and Human Services				
Indirect Programs Passed Through Alabama Department of Mental Health				
Block Grant for Prevention and Treatment of Substance Abuse	93.959	$ 954,751	-	954,751
Projects of Regional and National Significance	93.243	102,362	-	102,362
Total U.S. Department of Health and Human Services		1,057,113	-	1,057,113
Total Federal Financial Assistance		$ 1,057,113	$ -	$ 1,057,113

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2025

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award actividy of Agency for Substance Abuse Prevention, Inc. under programs of the federal government for the year ended September 30, 2025. 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). Becasuse 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.

Note 3. Indirect Cost Rate

Agency for Substance Abuse Prevention, Inc. has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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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.
Oxford, 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 statements of financial position as of September 30, 2025 and 2024, 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 December 18, 2025.

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 2025-001 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

December 18, 2025

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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.
Oxford, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major 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, 2025. 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.

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, 2025.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Agency for Substance Abuse Prevention, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Agency for Substance Abuse Prevention, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Agency for Substance Abuse Prevention, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Agency for Substance Abuse Prevention, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Agency for Substance Abuse Prevention, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Agency for Substance Abuse Prevention, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Agency for Substance Abuse Prevention, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
December 18, 2025

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2025

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:

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

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,000,000
Auditee qualified as a low-risk auditee	-No-

AGENCY FOR SUBSTANCE ABUSE PREVENTION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS

Current year audit findings:

2025-001 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:

2023-001 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 has been heavily involved in providing some of these controls.

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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 G5021121, G5021124, G5021129, G5021162, and G50211A20 between the Department of Mental Health (DMH) and the Agency for Substance Abuse Prevention, Inc. as of and for the year ended September 30, 2025.

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.

Gerald G. Pentecost, Jr., CPA

Gadsden, Alabama

December 18, 2025