

*PACIFIC TREATMENT ALTERNATIVES*

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*HELPING FAMILIES HAVE A BRIGHTER FUTURE*

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

With

**INDEPENDENT AUDITOR'S REPORT**

**DRUG ABUSE COUNCIL OF SNOHOMISH COUNTY**  
**D/B/A PACIFIC TREATMENT ALTRNATIVES**

Financial Statements

December 31, 2017 and 2016

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Hanlin  
Moss  
P.S.

*Certified Public Accountants  
Valuation Analysts*

## **INDEPENDENT AUDITOR'S REPORT**

September 17, 2018

To the Board  
Drug Abuse Council of Snohomish County  
D/B/A Pacific Treatment Alternatives

We have audited the accompanying statements of financial position of the Drug Abuse Council of Snohomish County, d/b/a Pacific treatment Alternatives (a not-for-profit organization) as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with 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 from 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 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Drug Abuse Council of Snohomish County, d/b/a/ Pacific Treatment Alternatives, as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the year the ended, in accordance with accounting principles generally accepted in the United States of America.

Harlin Moss Yi

**DRUG ABUSE COUNCIL OF SNOHOMISH COUNTY**  
**D/B/A PACIFIC TREATMENT ALTERNATIVES**

**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 223,535	\$ 179,267
Accounts receivable	86,310	156,849
Employee Advances	-	100
Prepaid expenses	15,093	14,677
Investments - Fidelity Mutual Funds	25,620	21,036
Security Deposit	7,385	7,385
Property and equipment - net of depreciation	<u>3,346</u>	<u>5,761</u>
	<u>\$ 361,290</u>	<u>\$ 385,075</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 7,082	\$ 10,109
Accrued vacation payable	11,577	12,278
Unearned income from grants	-	828
	<u>18,658</u>	<u>23,215</u>
<b>NET ASSETS</b>		
Unrestricted	<u>342,631</u>	<u>361,860</u>
	<u>\$ 361,290</u>	<u>\$ 385,075</u>

*Note: Some total may not equal due to rounding*

**DRUG ABUSE COUNCIL OF SNOHOMISH COUNTY**  
**D/B/A PACIFIC TREATMENT ALTERNATIVES**

**STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
Revenue, Grants & Other Support	\$ 909,477	\$ 927,248
Grants and contract revenues		
Fee, contributions, investment		
income, gains, and other support	7,312	2,865
Miscellaneous Income	-	190
	<u>916,790</u>	<u>930,303</u>
 Expenses		
Program services		
AIDS Outreach	142,588	136,046
Targeted Intensive Case Management	788,293	719,545
	<u>930,881</u>	<u>855,592</u>
 Supporting Services - Management & General	<u>5,338</u>	<u>42,122</u>
	<u>936,219</u>	<u>897,714</u>
 Increase (decrease) in Unrestricted Net Assets	(19,429)	32,789
 NET ASSETS - Beginning of Year	<u>362,060</u>	<u>329,271</u>
 NET ASSETS - End of Year	<u>\$ 342,631</u>	<u>\$ 362,060</u>

*Note: Some total may not equal due to rounding*

**DRUG ABUSE COUNCIL OF SNOHOMISH COUNTY**  
**D/B/A PACIFIC TREATMENT ALTERNATIVES**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
*With Comparative Totals for the Year Ended December 31, 2016*

	Program Services			Management and General	Total Functional Expenses	
	AIDS Outreach	TICM	Program Services		2017	2016
Salaries	\$ 88,707	\$ 492,377	\$ 581,084	\$ 1,640	\$ 582,725	\$ 553,114
Employee benefits/payroll taxes	20,285	76,862	97,146	84	97,230	95,923
Professional fees and contract services	-	22,875	22,875	800	23,675	10,779
Discretionary	-	13,120	13,120	-	13,120	19,479
Supplies	1,884	27,128	29,012	2,289	31,301	31,604
Telephone/communications	3,912	16,482	20,394	4	20,398	18,703
Rent expense	11,866	78,028	89,894	-	89,894	87,465
Equipment rental	-	2,550	2,550	-	2,550	2,719
Travel	6,774	18,598	25,372	507	25,879	32,088
Insurance	2,101	21,739	23,840	-	23,840	22,837
Repair expense	-	10,333	10,333	-	10,333	2,886
Needle exchange	6,692	-	6,692	-	6,692	11,214
Miscellaneous	-	4,496	4,496	0	4,496	5,409
Tax and license	-	1,672	1,672	-	1,672	998
	<u>142,220</u>	<u>786,259</u>	<u>928,479</u>	<u>5,324</u>	<u>933,804</u>	<u>895,218</u>
Depreciation expense	<u>368</u>	<u>2,033</u>	<u>2,401</u>	<u>14</u>	<u>2,415</u>	<u>2,494</u>
	<u>\$ 142,588</u>	<u>\$ 788,293</u>	<u>\$ 930,881</u>	<u>\$ 5,338</u>	<u>\$ 936,219</u>	<u>\$ 897,712</u>

Note: Some total may not equal due to rounding

The accompanying notes are an integral part of this statement

**DRUG ABUSE COUNCIL OF SNOHOMISH COUNTY**  
**D/B/A PACIFIC TREATMENT ALTERNATIVES**

**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ (19,229)	\$ 32,588
Adjustments to reconcile changes in net assets to net cash provided by operating activities -		
Depreciation	2,416	2,494
Accounts receivable	70,539	129,372
Employee Advances	100	(100)
Prepaid expenses	(417)	(593)
Unearned revenue	(828)	(954)
Accrued vacation	(702)	113
Accounts payable	(3,027)	(55)
	48,852	162,865
<b>CASH FLOWS (USED FOR) INVESTING ACTIVITIES</b>		
Purchases of property and equipment - net	-	-
Increase in security deposits	-	-
Investment (increase) decrease	(4,585)	(1,642)
	(4,585)	(1,642)
<b>NET INCREASE (DECREASE) IN CASH</b>	44,267	161,223
Cash - beginning of year	179,267	18,043
Cash - end of year	\$ 223,535	179,267

*Note: Some total may not equal due to rounding*



**DRUG ABUSE COUNCIL OF SNOHOMISH COUNTY  
D/B/A PACIFIC TREATMENT ALTRNATIVES**

**NOTES TO FIANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

**NOTE 1 ORGANIZATION AND OPERATION**

The Drug Abuse Council of Snohomish County (DACSC) is a Washington non-profit corporation, which operates as a social services agency organized to provide treatment and education programs for drug and alcohol abuse problems involving youth and adults. DACSC operates under the name Pacific Treatment Alternatives and is supported primarily through government grants.

DACSC currently provides services principally through the following programs:

TICM – Targeted Intensive Case Management for pregnant/parenting alcohol and drug abusing women who have a history of multiple use involvement and need services of longer duration and intensity than women enrolled in regular treatment programs.

AIDS OUTREACH – This program provides services, including a syringe exchange program, to attempt to reduce high-risk behaviors and to connect with injection-drug-users to educate them and ease their way into treatment.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

Financial Statement Presentation

DACSC adopted the Financial Accounting Standards Board Codification 958-205-45-2, “Financial Statements of Not-for-Profit Organizations”, where DACSC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

It is DACSC’s policy to report as unrestricted revenues those temporarily restricted contributions for which the restrictions are released during the same year.

Method of Accounting

DACSC uses the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred. DACSC has allocated a portion of the salary and benefits of the administrative staff to the Management and General column shown in the Statement of Functional Expenses.

Property and Equipment

Property and equipment are carried at cost. Depreciation, including amortization of capital leases (if any) is computed using the straight-line method over estimated lives ranging from five to ten years.

Promises to Give

Contributions are recognized when the donor makes a promise to give to DACSC that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporary or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**DRUG ABUSE COUNCIL OF SNOHOMISH COUNTY  
D/B/A PACIFIC TREATMENT ALTRNATIVES**

**NOTES TO FIANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

Accounts receivable

Accounts receivable consist entirely of grant reimbursements due from government agencies. Management is of the opinion that no allowance for uncollectible accounts is necessary and none has been included. This is consistent with generally accepted accounting principles.

Concentrations

DACSC's primary source of funding is the TICM – Targeted Intensive Case Management grant received from the Washington State Department of Social and Health Services Medical Assistance Administration. DACSC's ability to continue operations would be severely impacted if this grant funding was significantly reduced or eliminated.

Investments

DACSC has adopted FASB ASC 958-320-50-1, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under this FASB standard, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the balance sheet. Unrealized gains and losses are included in the change of net assets. Investment income gains and losses restricted by a donor are reported as increases/decreases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income, gain or losses are recognized.

Federal Income Taxes

DACSC is a non-profit organization exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in these financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, DACSC considers all highly liquid debt instruments purchased with a maturity of three months, or less, to be cash equivalents.

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.

Date of Management's Review

Management has evaluated subsequent events through September 17, 2018, the date on which the financial statements were available to be issued.

**DRUG ABUSE COUNCIL OF SNOHOMISH COUNTY  
D/B/A PACIFIC TREATMENT ALTRNATIVES**

**NOTES TO FIANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

**NOTE 3 OPERATING LEASES**

DACSC has entered into several leases as of December 31, 2015.

In August 2014 the Company agreed to a five year lease for facilities in downtown Everett. The Company uses this facility primarily for the TICM program and for general administration. The lease has an option for an additional five years. The minimum lease payments under the agreement are as follows:

<u>Period</u>	<u>Minimum Payments</u>	
	At December 2017	At December 2016
Year ended December 31, 2017		78,028
Year ended December 31, 2018	80,759	80,759
Year ended December 31, 2019	<u>55,081</u>	<u>55,081</u>
	<u>\$ 135,840</u>	<u>\$ 213,868</u>

In September 2014 the Company agreed to a three year lease for facilities on East Marine View Drive. The Company uses this facility primarily for the AIDS program. The lease has an option for an additional three years. The minimum lease payments under the agreement are as follows:

<u>Period</u>	<u>Minimum Payments</u>	
	At December 2017	At December 2016
Year ended December 31, 2017		<u>6,886</u>
		<u>\$ 6,886</u>

The Company leases certain office equipment under the terms of a lease which will allow for acquisition of the machine under favorable terms. The minimum lease payments (including Washington sales tax as of December 31, 2014) are as follows:

<u>Period</u>	<u>Minimum Payments</u>	
	December 2017	December 2016
Year ended December 31, 2017		2,255
Year ended December 31, 2018	<u>376</u>	<u>376</u>
	<u>\$ 376</u>	<u>\$2,631</u>

**DRUG ABUSE COUNCIL OF SNOHOMISH COUNTY  
D/B/A PACIFIC TREATMENT ALTRNATIVES**

**NOTES TO FIANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

**NOTE 4 INVESTMENTS**

The cost and market value of investments as of December 31 is as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Various Fidelity Mutual Funds	\$ 25,620	\$ 16,142	\$ 21,036	\$ 16,142

Dividends and gains were reinvested to purchase additional securities. These dividends and gain are recorded as investment income but are not reflected in the statement of cash flows as an investment activity.

The following summarizes the return for all investment activity:

	<u>2017</u>	<u>2016</u>
Dividend income – Fidelity	\$263	\$263
Capital gains	63	63
Net unrealized gains – Fidelity	<u>0</u>	<u>0</u>
	<u>\$326</u>	<u>\$326</u>

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 28,506	\$ 28,506
Leasehold improvements	7,000	7,000
Accumulated depreciation	<u>(32,160)</u>	<u>(29,745)</u>
Net	<u>\$ 3,346</u>	<u>\$ 5,761</u>

**NOTE 6 FAIR VALUE MEASUREMENTS**

Fair value of assets measured on a recurring basis as of December 31, 2016 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets – Level 1
Various Fidelity Mutual Funds and cash	\$ 25, 620	\$ 25, 620