

PACIFIC TREATMENT ALTERNATIVES

HELPING FAMILIES HAVE A BRIGHTER FUTURE

**FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

With

INDEPENDENT AUDITOR'S REPORT

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

Financial Statements

December 31, 2018 and 2017

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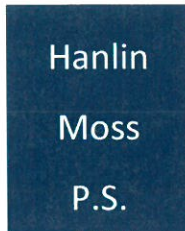
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*Certified Public Accountants
Valuation Analysts*

INDEPENDENT AUDITOR'S REPORT

July 8, 2019

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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit 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, 2018 and 2017, 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.

Hauelin Moss Yi

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

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 71,989	\$ 223,535
Accounts receivable	224,666	86,310
Prepaid expenses	15,014	15,093
Investments - Fidelity Mutual Funds	24,489	25,620
Security deposit	7,385	7,385
Unexpired leases	55,081	-
 Property and equipment - net of depreciation	 <u>11,356</u>	 <u>3,346</u>
	 <u>\$ 409,980</u>	 <u>\$ 361,290</u>
 LIABILITES		
Accounts payable and accrued liabilities	\$ 6,733	\$ 7,082
Accrued vacation payable	16,664	11,577
Unexpired lease obligation	<u>55,081</u>	<u>-</u>
	<u>78,478</u>	<u>18,658</u>
 NET ASSETS		
Unrestricted	<u>331,503</u>	<u>342,631</u>
	<u>\$ 409,980</u>	<u>\$ 361,290</u>

Note: Some totals may not equal due to rounding

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

STATEMENT OF ACTIVITIES
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
UNRESTRICTED NET ASSETS		
Revenue, Grants & Other Support	\$ 928,035	\$ 909,477
Fee, contributions, investment income, gains, and other support(Loss)	<u>(115)</u>	<u>7,312</u>
	<u>927,920</u>	<u>916,790</u>
 Expenses		
Program services		
AIDS Outreach	130,790	142,588
Targeted Intensive Case Management	705,008	788,293
	<u>835,797</u>	<u>930,881</u>
 Supporting Services - Management & General	<u>103,251</u>	<u>5,138</u>
	<u>939,048</u>	<u>936,019</u>
 Increase (decrease) in Unrestricted Net Assets	(11,128)	(19,229)
 NET ASSETS - Beginning of Year	<u>342,631</u>	<u>361,860</u>
 NET ASSETS - End of Year	<u>\$ 331,503</u>	<u>\$ 342,631</u>

Note: Some totals 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, 2018

With Comparative Totals for the Year Ended December 31, 2017

	Program Services			Management and General	Total Functional Expenses	
	AIDS Outreach	TICM	Total Program Services		2018	2017
Salaries	\$ 79,560	\$ 453,719	\$ 533,279	\$ 60,159	\$ 593,438	\$ 582,725
Employee benefits/payroll taxes	18,878	74,561	93,440	4,757	98,197	97,230
Professional fees and contract services	-	1,139	1,139	8,333	9,472	23,675
Discretionary	-	8,072	8,072	-	8,072	13,120
Supplies	648	19,858	20,506	7,335	27,841	31,101
Telephone/communications	4,229	15,728	19,957	89	20,046	20,398
Rent expense	11,999	80,759	92,758	-	92,758	89,894
Equipment rental	-	2,895	2,895	-	2,895	2,550
Travel	6,307	28,240	34,547	495	35,041	25,879
Insurance	-	2,790	2,790	21,683	24,473	23,840
Repair expense	-	10,044	10,044	-	10,044	10,333
Needle exchange	8,740	-	8,740	11	8,751	6,692
Miscellaneous	-	4,212	4,212	-	4,212	4,496
Tax and license	-	682	682	50	732	1,672
	<u>130,361</u>	<u>702,699</u>	<u>833,060</u>	<u>102,913</u>	<u>935,973</u>	<u>933,604</u>
Depreciation expense	<u>428</u>	<u>2,309</u>	<u>2,737</u>	<u>338</u>	<u>3,075</u>	<u>2,415</u>
	<u>\$ 130,790</u>	<u>\$ 705,008</u>	<u>\$ 835,797</u>	<u>\$ 103,251</u>	<u>\$ 939,048</u>	<u>\$ 936,019</u>

Note: Some totals may not equal due to rounding

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

STATEMENT OF CASH FLOWS
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ (11,128)	\$ (19,229)
Adjustments to reconcile changes in net assets to net cash provided by operating activities -		
Depreciation	3,077	2,416
Accounts receivable	(138,356)	70,539
Employee Advances	-	100
Prepaid expenses	77	(417)
Unearned revenue	-	(828)
Accrued vacation	5,087	(702)
Accounts payable	(349)	(3,027)
	<u>(141,591)</u>	<u>48,852</u>
CASH FLOWS (USED FOR) INVESTING ACTIVITIES		
Purchases of property and equipment	(11,087)	-
Investment (increase) decrease	1,132	(4,585)
	<u>(9,956)</u>	<u>(4,585)</u>
NET INCREASE (DECREASE) IN CASH	(151,547)	44,267
Cash - beginning of year	<u>223,535</u>	<u>179,267</u>
Cash - end of year	<u>\$ 71,989</u>	<u>223,535</u>

Note: Some totals may not equal due to rounding

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

NOTES TO FIANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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, 2018 AND 2017

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.

Functional allocation of expenses

The allocated expenses are based upon purpose of use. The costs of providing the two programs, TICM and AIDS Outreach, and the costs of management have been summarized on a functional basis in the statement of functional expenses. In the case of liability insurance, AIDS Outreach is charged 10% of total based upon conservative estimate of overall expenses per program.

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

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

NOTES TO FIANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Management has evaluated subsequent events through July 8, 2019, the date on which the financial statements were available to be issued.

NOTE 3 UNEXPIRED LEASES

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 present value of the unexpired leases as of December 31, 2018 is \$55,081. Generally accepted accounting principals require, beginning in 2018, that the Company disclose on its statement of financial position the estimated value of the unexpired lease and the associated lease obligation.

The values of unexpired leases and unexpired leases obligation as of December 31 is as follows:

	<u>2018</u>
Unexpired leases	\$ 55,081
Unexpired leases obligation	(55,081)

NOTE 4 INVESTMENTS

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

	<u>2018</u>		<u>2017</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Various Fidelity Mutual Funds	\$ 24,489	\$ 16,142	\$ 25,620	\$ 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>2018</u>	<u>2017</u>
Dividend income – Fidelity	\$496	\$263
Capital gains	157	63
Net unrealized gains – Fidelity	<u>0</u>	<u>0</u>
	<u>\$653</u>	<u>\$326</u>

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

NOTES TO FIANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 5 PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 39,593	\$ 28,506
Leasehold improvements	7,000	7,000
Accumulated depreciation	(35,237)	(32,160)
Net	<u>\$ 11,356</u>	<u>\$ 3,346</u>

NOTE 6 FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis as of December 31, 2018 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets – Level 1
Various Fidelity Mutual Funds and cash	\$ 24,489	\$ 24,489