

PACIFIC TREATMENT ALTERNATIVES

*HELPING FAMILIES HAVE A BRIGHTER FUTURE
50 Years of Service*

FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

With

INDEPENDENT AUDITOR'S REPORT

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

Financial Statements

December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

October 29, 2021

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

Opinion

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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

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, 2020 and 2019, 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.

Basis for opinion

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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Drug Abuse Council of Snohomish County, d/b/a Pacific treatment Alternatives and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management 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, 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 Drug Abuse Council of Snohomish County, d/b/a Pacific treatment Alternatives' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 Drug Abuse Council of Snohomish County, d/b/a Pacific treatment Alternatives' 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 Drug Abuse Council of Snohomish County, d/b/a Pacific treatment Alternatives' 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.

A handwritten signature in blue ink that reads "Hanlin Moss Yi". The signature is written in a cursive style with a distinct loop for the letter 'i'.

Hanlin Moss Yi, P.S.

Seattle, Washington

October 29, 2021

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

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 265,766	\$ 154,316
Accounts receivable	343,410	164,727
Prepaid expenses	20,338	16,797
Investments - Fidelity Mutual Funds	38,119	32,196
Security deposit	11,150	11,150
Unexpired leases	150,574	261,681
Property and equipment - net of depreciation	5,624	7,841
	\$ 834,981	\$ 648,708
LIABILITIES		
Accounts payable and accrued liabilities	\$ 12,963	\$ 11,599
Accrued vacation payable	33,103	21,967
Unexpired lease obligation	150,574	261,681
SBA loan	151,929	-
	348,569	295,247
NET ASSETS		
Unrestricted	486,412	353,461
	834,981	\$ 648,708

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
UNRESTRICTED NET ASSETS		
Revenue, Grants & Other Support	\$ 1,316,227	\$ 1,035,603
Fee, contributions, investment income, gains, and other support(Loss)	<u>14,050</u>	<u>17,900</u>
	<u>1,330,277</u>	<u>1,053,503</u>
 Expenses		
Program services		
Syringe Services Program(AIDS Outreach)	192,540	171,659
Targeted Intensive Case Management	767,455	731,103
ESTEEM Shelter	52,453	23,828
Amerigroup	5,926	-
First Clinic	<u>9,098</u>	<u>-</u>
	<u>1,027,472</u>	<u>926,590</u>
 Supporting Services - Management & General	<u>169,854</u>	<u>104,955</u>
	<u>1,197,326</u>	<u>1,031,545</u>
 Increase (decrease) in Unrestricted Net Assets	132,951	21,958
 NET ASSETS - Beginning of Year	<u>353,461</u>	<u>331,503</u>
 NET ASSETS - End of Year	<u>\$ 486,412</u>	<u>\$ 353,461</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 132,951	\$ 21,958
Adjustments to reconcile changes in net assets to net cash provided by operating activities -		
Depreciation	2,217	3,515
Accounts receivable	(178,683)	59,939
Prepaid expenses	(3,541)	(1,783)
Security deposit	-	(3,765)
Accrued vacation	11,136	5,303
Accounts payable	1,364	4,867
	<u>(34,556)</u>	<u>90,034</u>
 CASH FLOWS (USED FOR) INVESTING ACTIVITIES		
Investment (increase) decrease	<u>(5,923)</u>	<u>(7,707)</u>
 Net cash (used for) investing	<u>(5,923)</u>	<u>(7,707)</u>
 CASH FLOWS (USED FOR) FINANCING ACTIVITIES		
Borrowing increase	<u>151,929</u>	<u>-</u>
 Net cash (used for) financing	<u>151,929</u>	<u>-</u>
 NET INCREASE (DECREASE) IN CASH	 111,450	 82,327
Cash - beginning of year	<u>154,316</u>	<u>71,989</u>
 Cash - end of year	 <u>\$ 265,766</u>	 <u>154,316</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, 2020

With Comparative Totals for the Year Ended December 31, 2019

	Program Services						Total	Total Functional Expenses	
	Syringe Services Program	TICM	ESTEEM	Amerigroup	First Clinic	Program Services		Management and General	2020
Salaries	\$ 120,221	\$ 475,532	\$ 8,970	\$ 5,237	\$ -	\$ 609,960	\$ 105,179	\$ 715,138	\$ 609,962
Employee benefits/payroll taxes	24,945	127,645	799	469	-	153,858	11,823	165,681	131,343
Professional fees and contract services	4,096	16,151	613	-	9,081	29,942	12,732	42,674	27,455
Discretionary	-	5,905	17	-	-	5,922	55	5,977	7,201
Supplies	6,733	15,292	2,295	109	-	24,429	2,073	26,502	27,908
Telephone/communications	2,969	12,722	1,176	100	-	16,967	51	17,017	19,361
Rent expense	11,999	87,068	4,406	-	-	103,473	(0)	103,473	96,527
Equipment rental	-	658	-	-	-	658	-	658	1,862
Shelter rental	-	-	31,140	-	-	31,140	-	31,140	9,083
Travel and meal	4,572	15,358	302	-	-	20,232	2,862	23,095	36,868
Insurance	395	2,318	1,459	-	-	4,172	25,002	29,174	25,633
Interest	-	-	-	-	-	-	1,929	1,929	-
Repair expense	-	1,346	1,178	-	-	2,524	-	2,524	12,153
Needle exchange	15,438	-	-	-	-	15,438	-	15,438	13,377
Miscellaneous	350	5,660	-	-	-	6,010	7,365	13,375	8,446
Tax and license	464	379	-	-	-	844	470	1,313	851
	192,183	766,034	52,356	5,915	9,081	1,025,570	169,539	1,195,109	1,028,030
Depreciation expense	357	1,421	97	11	17	1,902	315	2,217	3,515
	192,540	767,455	52,453	5,926	9,098	1,027,472	169,854	1,197,326	1,031,545

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, 2020 AND 2019

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.

Syringe Services Program – Syringe Services Program is the renamed former AIDS OUTREACH project. 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.

ESTEEM – ESTEEM is a 60-day emergency homeless shelter for up to six clients and six children. No outside referrals are taken, but clients of the agency in another capacity are eligible to apply for its use. 60-days is the time limit for residence.

Amerigroup – New program in 2020. Amerigroup is a housing and employment case management program.

FIRST Clinic – New program in 2020. FIRST Clinic is an attorney advocacy program for women at risk of having an infant removed by CPS.

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.

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

NOTES TO FIANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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.

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 five programs, TICM Syringe Service Program, ESTEEM, Amerigroup and FIRST Clinic, and the costs of management have been summarized on a functional basis in the statement of functional expenses.

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

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

NOTES TO FIANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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 October 14, 2021, 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 company renew the lease for another 3 years on August 20, 2019.

The present value of the unexpired leases as of December 31, 2020 is \$150,574. Generally accepted accounting principles require 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>2020</u>	<u>2019</u>
Unexpired leases	\$ 150,574	\$ 261,681
Unexpired leases obligation	(150,574)	(261,681)

NOTE 4 INVESTMENTS

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

	<u>2020</u>		<u>2019</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Various Fidelity Mutual Funds	\$ 38,119	\$ 16,142	\$ 32,196	\$ 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:

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

NOTES TO FIANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Dividend income – Fidelity	\$603	\$621
Capital gains	<u>0</u>	<u>33</u>
	<u>\$603</u>	<u>\$654</u>

NOTE 5 PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 39,593	\$ 39,593
Leasehold improvements	7,000	7,000
Accumulated depreciation	(40,969)	(35,237)
Net	<u>\$ 5,624</u>	<u>\$ 11,356</u>

NOTE 6 FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis as of December 31, 2020 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets – Level 1
Various Fidelity Mutual Funds and cash	\$ 38,119	\$ 38,119

NOTE 7 LONG-TERM LOANS:

In response to the coronavirus (Covid-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Small Business Administration (SBA) loans and the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, the Company obtained a PPP loan for \$125,200. The Company has recognized a gain on forgiveness of the loan and the PPP loan forgiveness was granted in April, 2021. And in July 2020, the Company obtained an SBA loan for \$150,000. The note matures in thirty years and bears interest at a fixed annual rate of 2.75%. The ending balance and accrued interest of SBA loan on December 31, 2020 are \$151,929 and \$1,929.