

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

HELPING FAMILIES HAVE A BRIGHTER FUTURE
50 Years of Service

FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

With
INDEPENDENT AUDITOR'S REPORT

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

Financial Statements

December 31, 2021 and 2020

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***Certified Public Accountants
Valuation Analysts***

INDEPENDENT AUDITOR’S REPORT

November 11, 2022

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

Opinion

We have audited the accompanying financial statements of the Drug Abuse Council of Snohomish County¹ (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 the Drug Abuse Council of Snohomish County as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 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.

¹ Drug Abuse Council of Snohomish County, D/B/A Pacific Treatment Alternatives, D/B/A Sound Pathways

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 Drug Abuse Council of Snohomish County'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 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'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 Drug Abuse Council of Snohomish County'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.

A handwritten signature in blue ink that reads "Hanlin Moss Yi". The signature is written in a cursive, flowing style.

Hanlin Moss Yi, P.S.

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STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 437,903	\$ 265,766
Accounts receivable	123,662	343,410
Prepaid expenses	28,630	20,338
Investments - Fidelity Mutual Funds	49,055	38,119
Security deposit	12,375	11,150
Unexpired leases	331,581	150,574
Property and equipment - net of depreciation	<u>48,782</u>	<u>5,624</u>
	<u>\$ 1,031,988</u>	<u>\$ 834,981</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 12,936	\$ 12,963
Accrued vacation payable	29,190	33,103
Unexpired lease obligation	331,581	150,574
Accrued Interest	3,581	1,929
SBA loan	<u>150,000</u>	<u>150,000</u>
	<u>527,288</u>	<u>348,569</u>
NET ASSETS		
Unrestricted	<u>504,700</u>	<u>486,412</u>
	<u>\$ 1,031,988</u>	<u>\$ 834,981</u>

Note: Some totals may not equal due to rounding

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STATEMENT OF ACTIVITIES
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
UNRESTRICTED NET ASSETS		
Revenue, Grants & Other Support	\$ 1,533,615	\$ 1,316,227
Fee, contributions, investment income, gains, and other support (loss)	28,701	14,050
	<u>1,562,316</u>	<u>1,330,277</u>
Expenses		
Program services		
Syringe Services Program	272,357	192,540
Targeted Intensive Case Management (PCAP)	806,088	767,455
ESTEEM Shelter	54,542	52,453
Amerigroup	113,651	5,926
First Clinic	-	9,098
	<u>1,246,639</u>	<u>1,027,472</u>
Supporting Services - Management & General	292,532	167,925
Other Expense-Interest	4,858	1,929
	<u>1,544,028</u>	<u>1,197,326</u>
Increase (decrease) in Unrestricted Net Assets	18,288	132,951
NET ASSETS - Beginning of Year	<u>486,412</u>	<u>353,461</u>
NET ASSETS - End of Year	<u>\$ 504,700</u>	<u>\$ 486,412</u>

Note: Some totals may not equal due to rounding

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STATEMENT OF CASH FLOWS
DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 18,288	\$ 132,951
Adjustments to reconcile changes in net assets to net cash provided by operating activities -		
Depreciation	4,148	2,217
Accounts receivable	219,748	(178,683)
Prepaid expenses	(8,292)	(3,541)
Security deposit	(1,225)	-
Accrued vacation	(3,913)	11,136
Accounts payable	(27)	1,364
Accrued Interest	1,652	1,929
	230,378	(32,627)
CASH FLOWS (USED FOR) INVESTING ACTIVITIES		
Investment (increase) in new property	(58,242)	(5,923)
	(58,242)	(5,923)
CASH FLOWS (USED FOR) FINANCING ACTIVITIES		
Borrowing increase	-	150,000
	-	150,000
NET INCREASE (DECREASE) IN CASH	172,137	111,450
Cash - beginning of year	265,766	154,316
	\$ 437,903	265,766
	\$ 437,903	265,766

Note: Some totals may not equal due to rounding

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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

With Comparative Totals for the Year Ended December 31, 2020

	Program Services				Total Program Services	Total Functional Expenses	
	Syringe Services Program	TICM	ESTEEM	Amerigroup		Management and General	2021
Salaries	\$ 183,681	\$ 496,150	\$ 14,165	\$ 88,248	\$ 782,244	\$ 904,705	\$ 715,138
Employee benefits/payroll taxes	40,167	106,214	5,485	19,102	170,969	211,271	165,681
Professional fees and contract services	12,106	21,721	166	90	34,083	109,589	42,674
Discretionary	-	-	-	-	-	-	5,977
Supplies	8,103	18,860	1,144	111	28,218	35,473	26,502
Telephone/communications	4,000	14,981	1,525	1,035	21,542	23,764	17,017
Rent expense	14,400	90,556	3,427	-	108,383	109,265	103,473
Equipment rental	-	551	-	-	551	551	658
Shelter rental	1,400	-	25,950	-	27,350	31,140	31,140
Travel and meal	6,128	18,441	318	2,709	27,597	31,113	23,095
Insurance	816	26,198	-	-	27,014	35,957	29,174
Repair expense	369	1,388	604	-	2,361	4,670	2,524
Needle exchange	-	-	-	-	-	-	15,438
Miscellaneous	325	8,558	1,611	-	10,494	33,194	13,375
Tax and license	127	299	-	2,050	2,475	4,331	1,313
	271,623	803,916	54,395	113,345	1,243,279	1,535,022	1,193,180
Depreciation expense	734	2,172	147	306	3,360	4,148	2,217
	272,357	806,088	54,542	113,651	1,246,639	1,539,170	1,195,397

Note: Some totals may not equal due to rounding

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NOTES TO FIANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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. It has another name Parent-Child Assistance Program (PCAP).

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 – Amerigroup is a housing and employment case management program.

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.

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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 four programs, TICM Syringe Service Program, ESTEEM and Amerigroup, 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.

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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.

Revenue Recognition

The majority of revenue consist of grant reimbursements due from government agencies. Revenue is recognized upon invoices to government agencies or receipt of donations. We have analyzed the provisions of the FASB's ASC Topic 606, Revenue from Contracts with Customers, and have concluded that no changes are necessary to confirm with the new standard.

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 November 8, 2022, 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 3 years on August 20, 2019. The company renew the lease for another 3 years on August 31st, 2022.

The present value of the unexpired leases as of December 31, 2021 is \$331,581. 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>2021</u>	<u>2020</u>
Unexpired leases	\$ 331,581	\$ 150,574
Unexpired leases obligation	(331,581)	(150,574)

NOTE 4 INVESTMENTS

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

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	<u>2021</u>		<u>2020</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Various Fidelity Mutual Funds	\$ 49,055	\$ 16,142	\$ 38,119	\$ 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>2021</u>	<u>2020</u>
Dividend income – Fidelity	\$594	\$603

NOTE 5 PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 39,673	\$ 39,593
Vehicles	47,225	
Leasehold improvements	7,000	7,000
Accumulated depreciation	<u>(45,116)</u>	<u>(40,969)</u>
Net	<u>\$ 48,782</u>	<u>\$ 5,624</u>

Two vehicles were purchased in 2021.

NOTE 6 FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis as of December 31, 2021 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets – Level 1
Various Fidelity Mutual Funds and cash	\$ 49,055	\$ 49,055

NOTE 7 LONG-TERM LOANS:

In response to the coronavirus (Covid-19) outbreak in 2020, the U.S. Federal Government enacted the

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NOTES TO FIANCIAL STATEMENTS

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Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Small Business Administration (SBA) loans to provide small business loans.

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 with accrued interest of SBA loan on December 31, 2021 and 2020 are \$153,581 and \$151,929 respectively.