



STATE OF INDIANA
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April 26, 2018

Board of Directors
Drug-Free Marion County, Inc.
2575 E. 55th Place, Suite B
Indianapolis, IN 46220

We have reviewed the report prepared by Drug-Free Marion County, Inc. and opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Report of Independent Auditors* the financial statements included in the report present fairly the financial condition of Drug-Free Marion County, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Blue & Co., LLC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner



DRUG-FREE MARION COUNTY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

CPAs / ADVISORS



DRUG-FREE MARION COUNTY, INC.

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DECEMBER 31, 2016 AND 2015

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Drug-Free Marion County, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of Drug-Free Marion County, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the 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 conducted our audit in accordance with auditing 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 the 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.

REPORT OF INDEPENDENT AUDITORS
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2016, 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.

Prior Period Financial Statements

The accompanying 2015 financial statements of the Organization were reviewed by us, and our report thereon, dated May 16, 2016, stated we were not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Blue & Co., LLC

Carmel, Indiana
August 21, 2017

DRUG-FREE MARION COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 (AUDITED) AND 2015 (REVIEWED)

ASSETS

	<u>2016</u>	<u>2015</u>
Current assets		
Cash	\$ 39,580	\$ 31,250
Contribution receivable	6,562	6,771
Grants receivable	15,982	40,717
Other current assets	<u>3,781</u>	<u>2,840</u>
Total current assets	65,905	81,578
Office equipment	12,456	11,932
Accumulated depreciation	<u>(9,907)</u>	<u>(8,139)</u>
Office equipment, net	2,549	3,793
Security deposit	<u>658</u>	<u>658</u>
	<u>\$ 69,112</u>	<u>\$ 86,029</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Current maturities of capital lease obligation	\$ 1,449	\$ 1,130
Accounts payable	6,944	127
Accrued expenses	<u>664</u>	<u>664</u>
Total current liabilities	9,057	1,921
Capital lease obligation	<u>1,075</u>	<u>2,710</u>
Total liabilities	10,132	4,631
Net assets		
Unrestricted		
Undesignated	51,593	48,802
Board designated	<u>825</u>	<u>825</u>
Total unrestricted	52,418	49,627
Temporarily restricted	<u>6,562</u>	<u>31,771</u>
Total net assets	<u>58,980</u>	<u>81,398</u>
	<u>\$ 69,112</u>	<u>\$ 86,029</u>

See accompanying notes to financial statements.

DRUG-FREE MARION COUNTY, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016 (AUDITED)
(With Comparative Total for the Year Ended December 31, 2015 – Reviewed)

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue				
Contributions				
Drug Free Community Fund	\$ 72,188	\$ 6,562	\$ 78,750	\$ 81,250
Community Crime Prevention Program Fund	-0-	-0-	-0-	25,000
Corporate and individuals	22,884	-0-	22,884	19,233
Grant revenue				
Indiana Family and Social Services	100,987	-0-	100,987	193,975
Substance Abuse and Mental Health Services	129,500	-0-	129,500	126,500
Indiana Family and Social Services				
Underage Drinking	91,841	-0-	91,841	-0-
Other	1,989	-0-	1,989	17
Net assets released from restrictions	<u>31,771</u>	<u>(31,771)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenue	451,160	(25,209)	425,951	445,975
Expenses				
Program	380,818	-0-	380,818	386,300
Management and general	35,765	-0-	35,765	37,941
Fundraising	<u>31,786</u>	<u>-0-</u>	<u>31,786</u>	<u>28,569</u>
Total expenses	<u>448,369</u>	<u>-0-</u>	<u>448,369</u>	<u>452,810</u>
Change in net assets	2,791	(25,209)	(22,418)	(6,835)
Net assets, beginning of year	<u>49,627</u>	<u>31,771</u>	<u>81,398</u>	<u>88,233</u>
Net assets, end of year	<u>\$ 52,418</u>	<u>\$ 6,562</u>	<u>\$ 58,980</u>	<u>\$ 81,398</u>

See accompanying notes to financial statements.

DRUG-FREE MARION COUNTY, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015 (REVIEWED)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Contributions			
Drug Free Community Fund	\$ 74,479	\$ 6,771	\$ 81,250
Community Crime Prevention Program Fund	-0-	25,000	25,000
Corporate and individuals	19,233	-0-	19,233
Grant revenue			
Indiana Family and Social Services	193,975	-0-	193,975
Substance Abuse and Mental Health Services	126,500	-0-	126,500
Other	17	-0-	17
Net assets released from restrictions	<u>12,500</u>	<u>(12,500)</u>	<u>-0-</u>
Total support and revenue	426,704	19,271	445,975
Expenses			
Program	386,300	-0-	386,300
Management and general	37,941	-0-	37,941
Fundraising	<u>28,569</u>	<u>-0-</u>	<u>28,569</u>
Total expenses	<u>452,810</u>	<u>-0-</u>	<u>452,810</u>
Change in net assets	(26,106)	19,271	(6,835)
Net assets, beginning of year	<u>75,733</u>	<u>12,500</u>	<u>88,233</u>
Net assets, end of year	<u>\$ 49,627</u>	<u>\$ 31,771</u>	<u>\$ 81,398</u>

See accompanying notes to financial statements.

DRUG-FREE MARION COUNTY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016 (AUDITED)**

(With Comparative Total for the Year Ended December 31, 2015 - Reviewed)

	2016			2015 Total	
	Program	Management and General	Fundraising		
Salaries and wages	\$ 169,066	\$ 21,133	\$ 21,133	\$ 211,332	\$ 196,075
Payroll taxes	<u>12,956</u>	<u>1,619</u>	<u>1,620</u>	<u>16,195</u>	<u>15,000</u>
	182,022	22,752	22,753	227,527	211,075
Training	219	-0-	-0-	219	1,437
Rent and other occupancy charges	9,125	3,125	250	12,500	11,758
Office supplies	2,115	542	54	2,711	3,391
Dues and subscriptions	705	181	18	904	269
Depreciation	990	743	35	1,768	1,463
Repairs and maintenance	-0-	-0-	-0-	-0-	49
Insurance	1,427	1,069	51	2,547	2,520
Marketing and advertising	28,861	2,624	1,312	32,797	69,013
Printing and postage	936	83	21	1,040	17,011
Professional fees	15,434	2,361	363	18,158	12,769
Mileage and travel	12,539	1,425	286	14,250	7,429
Interest expense	-0-	693	-0-	693	1,026
Curriculum and promotional materials	125,960	-0-	6,629	132,589	113,534
Other	<u>485</u>	<u>167</u>	<u>14</u>	<u>666</u>	<u>66</u>
Total expenses	<u>\$ 380,818</u>	<u>\$ 35,765</u>	<u>\$ 31,786</u>	<u>\$ 448,369</u>	<u>\$ 452,810</u>

See accompanying notes to financial statements.

DRUG-FREE MARION COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2015 (REVIEWED)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 158,821	\$ 19,607	\$ 17,647	\$ 196,075
Payroll taxes	<u>12,150</u>	<u>1,500</u>	<u>1,350</u>	<u>15,000</u>
	170,971	21,107	18,997	211,075
Training	1,437	-0-	-0-	1,437
Rent and other occupancy charges	8,584	2,939	235	11,758
Office supplies	2,475	848	68	3,391
Dues and subscriptions	197	67	5	269
Depreciation	819	615	29	1,463
Repairs and maintenance	36	12	1	49
Insurance	1,411	1,058	51	2,520
Marketing and advertising	60,731	5,521	2,761	69,013
Printing and postage	15,311	1,360	340	17,011
Professional fees	10,854	1,660	255	12,769
Mileage and travel	5,572	1,708	149	7,429
Interest expense	-0-	1,026	-0-	1,026
Curriculum and promotional materials	107,857	-0-	5,677	113,534
Other	<u>45</u>	<u>20</u>	<u>1</u>	<u>66</u>
Total expenses	<u>\$ 386,300</u>	<u>\$ 37,941</u>	<u>\$ 28,569</u>	<u>\$ 452,810</u>

See accompanying notes to financial statements.

DRUG-FREE MARION COUNTY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2016 (AUDITED) AND 2015 (REVIEWED)

	<u>2016</u>	<u>2015</u>
Operating activities		
Change in net assets	\$ (22,418)	\$ (6,835)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,768	1,463
Change in operating assets and liabilities:		
Contribution receivable	209	5,729
Grants receivable	24,735	3,800
Other current assets	(941)	(676)
Accounts payable	<u>6,817</u>	<u>(8,654)</u>
Net cash flows from operating activities	10,170	(5,173)
Investing activities		
Capital expenditures	(524)	-0-
Financing activities		
Principal payments on capital lease obligation	<u>(1,316)</u>	<u>(977)</u>
Net change in cash	8,330	(6,150)
Cash, beginning of year	<u>31,250</u>	<u>37,400</u>
Cash, end of year	<u>\$ 39,580</u>	<u>\$ 31,250</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 693	\$ 1,026

See accompanying notes to financial statements.

DRUG-FREE MARION COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1. NATURE OF ACTIVITIES

Drug-Free Marion County, Inc. (the Organization) is an Indiana not-for-profit organization that advocates for a healthier, safer Marion County through prevention and education to reduce substance abuse among youth and adults.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements report net assets and changes in net assets that are based upon the existence or absence of restrictions on use that are in place by the Organization's donors, as follows:

Unrestricted net assets – Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets – Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are classified in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the statement of activities by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Receivables

The contribution receivable represents an outstanding promise to give from one government agency and is due within the next year. Grants receivable represent amounts due from one and two government agencies at December 31, 2016 and 2015, respectively, and are stated at the amount billed or expected to be collected. Amounts are supported by written grant agreements.

DRUG-FREE MARION COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

Management provides for uncollectible receivables based on its assessment of current economic conditions, historical trends, and past experience with their donors and grantors. No provision has been made for uncollectible receivables as management considers all receivables to be fully collectible at December 31, 2016 and 2015.

Office Equipment

It is the policy of the Organization to capitalize all significant purchases of office equipment at cost, including expenditures that substantially increase the useful lives of existing assets. Costs of ordinary maintenance and repairs are expensed as incurred.

Office equipment is depreciated over its estimated useful life using the straight-line method. The Organization's estimates for the useful lives of its capitalized assets range from three to five years.

Accounting for Contributions and Grants

Contributions are reported as unrestricted or temporarily restricted support, depending on the existence and/or the nature of any donor restrictions. Support that is restricted is reported as an increase in temporarily restricted net assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated services (in-kind) are reported as contributions if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Revenues from grants are recognized according to the specific agreement. Revenues from cost reimbursement and performance grants are recognized to the extent of project expenses incurred. Other grants are generally recognized in the period of the grant award. Grants are subject to audit by the awarding agency. Based on prior experience, management believes that costs ultimately disallowed, if any, would not materially affect the Organization's financial position.

Functional Allocation of Expenses

The costs of providing the programs and services of the Organization have been summarized on a functional basis. Accordingly, certain costs have been allocated among the various programs and supporting activities benefited. Expenses were allocated among the functional categories on the basis of specific identification and estimates of time and benefits derived. Although the method used was appropriate, other methods could produce different results.

Income Taxes

The Organization is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code and similar state law. As such, the Organization is generally exempt

DRUG-FREE MARION COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax, and a corresponding state return, which are informational returns only. The Organization has filed its Federal and state informational tax returns for periods through December 31, 2015 and is subject to routine audits by taxing jurisdictions. However, as of the date the financial statements were available to be issued, there were no audits for any tax periods in progress.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management believes that as of December 31, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Organization's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

Subsequent Events

The Organization evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through August 21, 2017, which is the date the financial statements were available to be issued.

3. CAPITAL LEASE OBLIGATION

The Organization leases a copier under the terms of a capital lease. The copier, included in office equipment, has a cost of \$5,811 and accumulated depreciation of \$3,874 and \$2,711 at December 31, 2016 and 2015, respectively.

Minimum future lease payments under the capital lease as of December 31, 2016 are as follows:

Year Ending		
<u>December 31,</u>		
2017	\$	1,947
2018		<u>1,460</u>
Total minimum lease payments		3,407
Less amount representing interest		<u>(883)</u>
Present value of net minimum lease payments	\$	<u>2,524</u>

DRUG-FREE MARION COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

4. NET ASSETS

Temporarily restricted net assets of \$6,562 and \$31,771 are available for use in future periods at December 31, 2016 and 2015, respectively.

The Organization released temporarily restricted net assets for which time restrictions expired of \$31,771 and \$12,500 during 2016 and 2015, respectively.

5. OPERATING LEASE

The Organization leases its office space under the terms of an operating lease agreement that requires monthly payments of \$690 through May 2017, as well as certain additional common area maintenance charges. The Organization has the option to renew the lease annually for a 2% increase in required monthly payments.

Rent expense under the terms of the operating lease was \$8,909 and \$8,827 during 2016 and 2015, respectively.

Future minimum lease payments under the terms of the non-cancelable operating lease at December 31, 2016 are \$3,450.

6. CHANGE IN ACCOUNTING PRINCIPLE

During 2016, the Organization adopted Accounting Standards Update (ASU) No. 2014-15, *Presentation of Financial Statements – Going Concern (Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU No. 2014-15 requires management to evaluate whether there are conditions or events that raise substantial doubt about the Organization's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued. When conditions or events that raise substantial doubt exist, additional disclosures will be required to enable financial statement users to understand those conditions or events, management's evaluation of them and management's plans that either alleviated substantial doubt or are intended to mitigate the conditions or events that raise substantial doubt.

Note 8 to the financial statements has been updated to comply with the new disclosure requirements of ASU 2014-15.

7. CONCENTRATIONS

The Organization is funded by grants and contracts awarded directly and indirectly by Federal and state governments. The majority of the agreements contain provisions that permit the arrangements to be terminated or the funds provided to be reduced if the unit of government does not appropriate adequate funds to maintain the current funding levels.

The Organization received approximately 94% and 90% of its total support and revenue from three agencies, Indiana Family and Social Services, Drug Free Community Fund, and Substance Abuse Mental Health Services Administration during 2016 and 2015, respectively.

DRUG-FREE MARION COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

8. MANAGEMENT'S ASSESSMENT OF FUTURE OPERATIONS

The Organization's operations are dependent on the funding from outside agencies. Certain grants expired during 2016 and others expire during 2017. The lack of future funding has created an uncertainty about the Organization's ability to continue as a going concern.

Management has scaled expenditures commensurate with the decreased funding and projects a positive change in net assets for the year ending December 31, 2017. Additional sources of funding were also awarded subsequent to year-end which support management's projection, including an award of \$75,000 of unrestricted support and execution of a grant renewal with Indiana Family and Social Services for \$238,000 (\$119,000 per year supporting programming by the Organization for July 1, 2017 through June 30, 2019).

It is not possible at this time to predict the success of management's plan, and there is no assurance that the plan will be realized.

9. FEDERAL, STATE, AND LOCAL FUNDING

In compliance with the Indiana State Board of Accounts' Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, federal, state, local and county funding must be disclosed for the current year. For the year ending December 31, 2016, the Organization received the following:

Federal:

Substance Abuse and Mental Health Services Administration	\$ 129,500
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State:

Indiana Family and Social Services	100,987
Indiana Family and Social Services Underage Drinking Fund	<u>91,841</u>
	192,828

Local:

City of Indianapolis Marion County Drug Free Community Fund	<u>78,750</u>
	<u>\$ 401,078</u>