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June 13, 2019

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

We have reviewed the audit report of Drug-Free Marion County, Inc. which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Drug-Free Marion County, Inc. as of December 31, 2017 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 the audit in accordance with 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, 2017 AND 2016

CPAs / ADVISORS



DRUG-FREE MARION COUNTY, INC.

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DECEMBER 31, 2017 AND 2016

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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 statements of financial position 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 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 audits. We conducted our audits 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, 2017 and 2016, 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.

Blue & Co., LLC

Carmel, Indiana
February 26, 2019

DRUG-FREE MARION COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 60,582	\$ 39,580
Contribution receivable	13,082	6,562
Grants receivable	23,488	15,982
Other current assets	<u>2,149</u>	<u>3,781</u>
Total current assets	99,301	65,905
Office equipment	12,456	12,456
Accumulated depreciation	<u>(11,329)</u>	<u>(9,907)</u>
Office equipment, net	1,127	2,549
Security deposit	<u>658</u>	<u>658</u>
	<u>\$ 101,086</u>	<u>\$ 69,112</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Current maturities of capital lease obligation	\$ 805	\$ 1,449
Accounts payable	22,998	6,944
Accrued expenses	<u>1,300</u>	<u>664</u>
Total current liabilities	25,103	9,057
Capital lease obligation	<u>-0-</u>	<u>1,075</u>
Total liabilities	25,103	10,132
Net assets		
Unrestricted		
Undesignated	62,076	51,593
Board designated	<u>825</u>	<u>825</u>
Total unrestricted	62,901	52,418
Temporarily restricted	<u>13,082</u>	<u>6,562</u>
Total net assets	<u>75,983</u>	<u>58,980</u>
	<u>\$ 101,086</u>	<u>\$ 69,112</u>

See accompanying notes to financial statements.

DRUG-FREE MARION COUNTY, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
(With Comparative Total for the Year Ended December 31, 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue				
Contributions	\$ 151,074	\$ 13,082	\$ 164,156	\$ 101,634
Grant revenue	142,380	-0-	142,380	322,328
Other	2,575	-0-	2,575	1,989
Net assets released from restrictions	<u>6,562</u>	<u>(6,562)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenue	302,591	6,520	309,111	425,951
Expenses				
Program	223,686	-0-	223,686	380,818
Management and general	38,361	-0-	38,361	35,765
Fundraising	<u>30,061</u>	<u>-0-</u>	<u>30,061</u>	<u>31,786</u>
Total expenses	<u>292,108</u>	<u>-0-</u>	<u>292,108</u>	<u>448,369</u>
Change in net assets	10,483	6,520	17,003	(22,418)
Net assets, beginning of year	<u>52,418</u>	<u>6,562</u>	<u>58,980</u>	<u>81,398</u>
Net assets, end of year	<u>\$ 62,901</u>	<u>\$ 13,082</u>	<u>\$ 75,983</u>	<u>\$ 58,980</u>

See accompanying notes to financial statements.

DRUG-FREE MARION COUNTY, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 95,072	\$ 6,562	\$ 101,634
Grant revenue	322,328	-0-	322,328
Other	1,989	-0-	1,989
Net assets released from restrictions	<u>31,771</u>	<u>(31,771)</u>	<u>-0-</u>
Total support and revenue	451,160	(25,209)	425,951
Expenses			
Program	380,818	-0-	380,818
Management and general	35,765	-0-	35,765
Fundraising	<u>31,786</u>	<u>-0-</u>	<u>31,786</u>
Total expenses	<u>448,369</u>	<u>-0-</u>	<u>448,369</u>
Change in net assets	2,791	(25,209)	(22,418)
Net assets, beginning of year	<u>49,627</u>	<u>31,771</u>	<u>81,398</u>
Net assets, end of year	<u>\$ 52,418</u>	<u>\$ 6,562</u>	<u>\$ 58,980</u>

See accompanying notes to financial statements.

DRUG-FREE MARION COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

(With Comparative Total for the Year Ended December 31, 2016)

	2017			2016 Total	
	Program	Management and General	Fundraising		Total
Salaries and wages	\$ 125,607	\$ 15,701	\$ 15,701	\$ 157,009	\$ 211,332
Payroll taxes	9,837	1,230	1,230	12,297	16,195
	<u>135,444</u>	<u>16,931</u>	<u>16,931</u>	<u>169,306</u>	<u>227,527</u>
Training	5,838	307	-0-	6,145	219
Rent and other occupancy charges	9,446	3,235	259	12,940	12,500
Office supplies	6,994	1,311	437	8,742	2,711
Dues and subscriptions	1,122	210	70	1,402	904
Depreciation	825	568	29	1,422	1,768
Repairs and maintenance	173	60	5	238	-0-
Insurance	1,117	770	39	1,926	2,547
Marketing and advertising	2,086	237	47	2,370	32,797
Printing and postage	1,337	119	30	1,486	1,040
Professional fees	4,773	10,630	9,412	24,815	18,158
Mileage and travel	6,772	770	154	7,696	14,250
Interest expense	-0-	498	-0-	498	693
Curriculum and promotional materials	47,549	2,642	2,642	52,833	132,589
Other	210	73	6	289	666
Total expenses	<u>\$ 223,686</u>	<u>\$ 38,361</u>	<u>\$ 30,061</u>	<u>\$ 292,108</u>	<u>\$ 448,369</u>

See accompanying notes to financial statements.

DRUG-FREE MARION COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

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

See accompanying notes to financial statements.

DRUG-FREE MARION COUNTY, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Operating activities		
Change in net assets	\$ 17,003	\$ (22,418)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,422	1,768
Change in operating assets and liabilities:		
Contribution receivable	(6,520)	209
Grants receivable	(7,506)	24,735
Other current assets	1,632	(941)
Accounts payable	16,054	6,817
Accrued expenses	<u>636</u>	<u>-0-</u>
Net cash flows from operating activities	22,721	10,170
Investing activities		
Capital expenditures	-0-	(524)
Financing activities		
Principal payments on capital lease obligation	<u>(1,719)</u>	<u>(1,316)</u>
Net change in cash and cash equivalents	21,002	8,330
Cash and cash equivalents, beginning of year	<u>39,580</u>	<u>31,250</u>
Cash and cash equivalents, end of year	<u>\$ 60,582</u>	<u>\$ 39,580</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 498	\$ 693

See accompanying notes to financial statements.

DRUG-FREE MARION COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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.

Cash equivalents

Cash equivalents are carried at cost, which approximates fair value, and consist of a bank money market savings account that is insured by the Federal Deposit Insurance Corporation (FDIC) and that has a balance of \$46,672 and \$25,060 at December 31, 2017 and 2016, respectively.

DRUG-FREE MARION COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

Receivables

The contribution receivable represents an outstanding promise to give from one government agency and is due within the next year at December 31, 2017 and 2016, respectively. Grants receivable represent amounts due from two and one government agencies at December 31, 2017 and 2016, respectively, and are stated at the amount billed or expected to be collected. Amounts are supported by written grant agreements.

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, 2017 and 2016.

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. Amortization of office equipment held under capital leases is included in depreciation expense.

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 or performance objectives are completed. 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.

DRUG-FREE MARION COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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 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, 2017 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, 2017 and 2016, 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 February 26, 2019, 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 \$5,036 and \$3,874 at December 31, 2017 and 2016, respectively. Minimum future lease payments under the capital

DRUG-FREE MARION COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

lease as of December 31, 2017 are \$941, of which \$136 represents interest. All future payments are due in 2018.

4. NET ASSETS

Temporarily restricted net assets of \$13,082 and \$6,562 are available for use in future periods at December 31, 2017 and 2016, respectively.

The Organization released temporarily restricted net assets for which time restrictions expired of \$6,562 and \$31,771 during 2017 and 2016, respectively.

5. OPERATING LEASE

The Organization leases its office space under the terms of an operating lease agreement that requires monthly payments of \$704 through May 2018, 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 \$8,672 and \$8,909 during 2017 and 2016, respectively.

Future minimum lease payments under the terms of the non-cancelable operating lease at December 31, 2017 are \$3,518.

6. 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 90% of its total support and revenue from three agencies, Indiana Family and Social Services Underage Drinking Fund, City of Indianapolis Marion County Drug Free Community Fund, and the Marion County Public Health Department during 2017, with individual percentages ranging from 24% to 41%. Two of these agencies accounted for approximately 91% of the receivable balances at December 31, 2017, with individual percentages of 36% and 55%. The Organization received approximately 94% 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, with individual percentages ranging from 18% to 45%. Two of these agencies accounted for 100% of the receivable balances at December 31, 2016, with individual percentages of 29% and 71%.

DRUG-FREE MARION COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

7. MANAGEMENT'S ASSESSMENT OF FUTURE OPERATIONS

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

The Organization had a positive change in net assets for the year ended December 31, 2017 of \$17,003. The change in net assets for the year ending December 31, 2018 was a negative of approximately \$26,000 (unaudited).

Management has scaled expenditures commensurate with the decreased funding. Management has also pursued additional funding from new funding sources and renewals of funding from existing funding sources. During 2018, the Organization received a verbal commitment from Indiana Family Social Services that a grant which expires in June 2019, will be extended through June 2020. This grant provides approximately \$119,000 per year to support programming. The Organization has not received a formal grant extension as of February 26, 2019.

Management's plan is for the Organization's operation to remain ongoing, with expenses continuing to be scaled with support and revenues. 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.

8. 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 ended December 31, 2017, the Organization received the following.

State:

Indiana Family and Social Services	
Underage Drinking Fund	\$ 125,980
Indiana Criminal Justice Institute	
State Drug Free Fund	<u>16,400</u>
	142,380

Local:

City of Indianapolis Marion County	
Drug Free Community Fund	78,500
Marion County Public Health Department	<u>75,000</u>
	<u>153,500</u>
	<u>\$ 295,880</u>
