

FACES AND VOICES OF RECOVERY GREENVILLE

GREENVILLE, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

FACES AND VOICES OF RECOVERY GREENVILLE

GREENVILLE, SOUTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Faces and Voices of Recovery Greenville
Greenville, South Carolina

We have audited the accompanying financial statements of Faces and Voices of Recovery Greenville (a nonprofit organization), which comprise the statement of financial position as of June 30, 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.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Faces and Voices of Recovery Greenville as of June 30, 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.

Bradshaw, Gordon & Chinkens LLC

April 7, 2021

FACES AND VOICES OF RECOVERY GREENVILLE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS

CURRENT ASSETS:

Cash	\$ 1,679,906
Short-term pledges receivable, net	762,556
Grants receivable - restricted	<u>289,081</u>

Total Current Assets	<u>2,731,543</u>
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PROPERTY AND EQUIPMENT:

Office equipment, furniture and fixtures	156,333
Vehicles	24,640
Leasehold improvements	<u>197,291</u>

	378,264
Less: Accumulated depreciation	<u>115,765</u>

Net Property and Equipment	<u>262,499</u>
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OTHER ASSETS:

Security deposit	7,051
Long-term pledges receivable, net	1,708,447
Intangible assets, net of accumulated amortization of \$7,889	<u>7,111</u>

Total Other Assets	<u>1,722,609</u>
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TOTAL ASSETS	<u><u>\$ 4,716,651</u></u>
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LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable and accrued expenses	\$ 10,493
Accrued payroll liabilities	<u>90,461</u>

Total Current Liabilities	<u>100,954</u>
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NONCURRENT LIABILITIES:

Long-term debt	<u>286,673</u>
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Total Noncurrent Liabilities	<u>286,673</u>
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TOTAL LIABILITIES	<u>387,627</u>
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NET ASSETS:

With donor restrictions	289,081
Without donor restrictions	<u>4,039,943</u>

Total Net Assets	<u>4,329,024</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,716,651</u></u>
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The accompanying notes are an integral part
of these financial statements.

FACES AND VOICES OF RECOVERY GREENVILLE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:			
Contributions	\$ 2,007,098	\$ 462,877	\$ 2,469,975
Federal and state grants	-	152,433	152,433
Program revenue	-	30,281	30,281
Interest income	5,967	-	5,967
Net assets released from restrictions	647,103	(647,103)	-
	<u>2,660,168</u>	<u>(1,512)</u>	<u>2,658,656</u>
FUNCTIONAL EXPENSES:			
Direct program expenses	1,870,076	-	1,870,076
General and administrative expenses	119,061	-	119,061
Fundraising expenses	78,976	-	78,976
	<u>2,068,113</u>	<u>-</u>	<u>2,068,113</u>
CHANGE IN NET ASSETS	<u>592,055</u>	<u>(1,512)</u>	<u>590,543</u>
NET ASSETS, Beginning of the year - as originally stated	1,318,132	2,131,356	3,449,488
PRIOR PERIOD ADJUSTMENT (See Note 8)	<u>2,129,756</u>	<u>(1,840,763)</u>	<u>288,993</u>
NET ASSETS, Beginning of the year - as restated	<u>3,447,888</u>	<u>290,593</u>	<u>3,738,481</u>
NET ASSETS, End of the year	<u>\$ 4,039,943</u>	<u>\$ 289,081</u>	<u>\$ 4,329,024</u>

The accompanying notes are an integral part of these financial statements.

FACES AND VOICES OF RECOVERY GREENVILLE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Direct Program Expenses	General and Administrative Expenses	Fundraising Expenses	Total Functional Expenses
Salaries and wages	\$ 1,146,133	\$ 58,510	\$ 34,400	\$ 1,239,043
Conferences, conventions, and meetings	139,379	7,743	7,743	154,865
Advertising	32,250	-	3,583	35,833
Employee benefits	128,714	6,571	3,863	139,148
Payroll taxes and benefits	81,230	4,147	2,438	87,815
Occupancy	93,469	10,996	5,498	109,963
Office expenses	135,676	7,538	7,538	150,752
Professional fees	9,600	17,505	12,000	39,105
Travel	12,783	-	-	12,783
Insurance	13,178	1,464	-	14,642
Telephone	7,999	941	471	9,411
Data management	9,540	-	-	9,540
Utilities	10,652	1,253	627	12,532
Repairs and maintenance	13,852	1,630	815	16,297
Dues and subscriptions	13,437	-	-	13,437
Bank and merchant fees	-	663	-	663
Depreciation	21,284	-	-	21,284
Amortization	900	100	-	1,000
TOTAL	<u>\$ 1,870,076</u>	<u>\$ 119,061</u>	<u>\$ 78,976</u>	<u>\$ 2,068,113</u>

The accompanying notes are an integral part
of these financial statements.

FACES AND VOICES OF RECOVERY GREENVILLE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 590,543
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	21,284
Amortization	1,000
(Increase) decrease in:	
Grants receivable	(88)
Pledges receivable	(504,670)
Increase (decrease) in:	
Accounts payable and accrued expenses	1,303
Accrued expenses for leased employees	24,678

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>134,050</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	<u>(241,501)</u>
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NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(241,501)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from long-term debt	<u>286,673</u>
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NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>286,673</u>
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INCREASE (DECREASE) IN CASH	179,222
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CASH, Beginning of year	<u>1,500,684</u>
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CASH, End of year	<u><u>\$ 1,679,906</u></u>
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The accompanying notes are an integral part
of these financial statements.

FACES AND VOICES OF RECOVERY GREENVILLE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations: Faces and Voices of Recovery – Greenville (the Organization) promotes long-term recovery from substance use disorders, in the Upstate region of South Carolina, through education, advocacy and recovery support services, resulting in healthier individuals, families, and communities. The Organization is supported primarily through donations from individuals, businesses, and other nonprofits.

Basis of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation and Revenue Recognition: The accompanying consolidated financial statements are presented in accordance with the provisions of topic 958, *Not-for-Profit Entities*, of the Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC).

Those provisions establish standards for external financial reporting by nonprofit organizations and require net assets and revenues, expenses, gains and losses to be classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Without donor restrictions – Net assets that are not subject to donor-imposed restrictions.
- With donor restrictions – Net assets whose use by the Organization is limited by donor-imposed time and or purpose restrictions.

The provisions of FASB ASC topic 958 require that contributions, including unconditional promises to give (pledges), be recognized as revenues in the period received. Conditional pledges are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the fiscal year ended June 30, 2020, the Organization recorded no such contributions of services. A substantial number of volunteers have contributed significant amounts of time to the Organization, however no amounts have been reflected in the accompanying consolidated financial statements for such contributed services as these services do not meet the criteria for recognition as contributions under GAAP.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Revenue Recognition: Contributions received are generally available for unrestricted use in the related programs and related year unless specifically restricted by the donor, and are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Pledges Receivable: When a donor has unconditionally promised to contribute funds in future periods, the Organization recognizes the fair value of the pledge receivable. Pledges expected to be collected within one year are recorded as a donation and a receivable at net realizable value, which approximates fair value. Pledges expected to be collected in future years are recorded as a donation and a receivable at the present value of the expected future cash flows.

Grants Receivable: Grants receivable consist of outstanding amounts due for grants which have been awarded to the Organization. The Organization recognizes grant income upon notification of the grant award or upon incurring expenses due to be reimbursed by an awarded grant.

Property and Equipment: The cost of property and equipment, including major renewals and betterments, is depreciated over the estimated useful lives of the related assets using the straight-line method. Maintenance and repairs are charged to expense as incurred.

The estimated useful lives of property and equipment for purposes of computing depreciation are:

Office equipment, furniture, and fixtures	39 – 40 years
Vehicles	5 – 7 years
Leasehold improvements	39 – 40 years

Depreciation expense was \$21,284 for the year ended June 30, 2020.

Intangible Assets: Intangible assets subject to amortization include website and software costs. These costs are being amortized using the straight-line method over 15 years. Amortization expense totaled \$1,000 for the year ended June 30, 2020.

Future amortization expense for these costs is as follows:

2021	\$ 1,000
2022	1,000
2023	1,000
2024	1,000
2025	1,000
Thereafter	<u>2,111</u>
	<u>\$ 7,111</u>

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status: The Organization and its subsidiaries are not-for-profit corporations under Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes pursuant to Section 501(a) of the Internal Revenue Code.

Advertising: Advertising costs are expensed as incurred and were \$35,833 for the year ended June 30, 2020.

Functional Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Recently Issued Accounting Standard Updates: In 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842) to increase transparency and comparability amount organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing essential information about leasing transactions. The requirements of ASU 2016-02, Leases are effective for fiscal year 2022. The Facility is currently evaluating the impact of ASU 2016-02, Leases may have on its financial statements.

In 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-12, “Revenue from Contracts with Customers (Topic 606)” which requires organizations to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration wo which the entity expects to be entitled in exchange for those goods or services. The requirements of ASU 2016-12 are effective for fiscal year 2021. The Organization is currently evaluating the impact of ASU 2016-12 may have on its financial statements.

NOTE 2 –CONCENTRATIONS AND CREDIT RISK

The Organization maintains its cash balances in two area banks. The deposit balances of the Organization’s bank accounts may from time to time exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits of \$250,000. The Organization has not experienced any losses in its bank accounts and believes it is not exposed to any significant credit risk on cash balances. As of June 30, 2020, \$1,176,339 of the Organization’s cash funds were uninsured.

During the year ended June 30, 2020, approximately 34% of contributions were from one donor. At June 30, 2020, 45% of pledges receivable was due from two donors and 85% of grants receivable was due from one donor.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable are unconditional and due over five years. Pledges receivable at June 30, 2020 are:

Receivable in less than one year	\$ 833,817
Less: Allowance for uncollectible pledges	<u>71,261</u>
Total Short-term Pledges Receivable	<u>762,556</u>
Receivable in one to five years	1,767,680
Less: Discount to net present value	<u>59,233</u>
Total Long-term Pledges Receivable	<u>1,708,447</u>
Total Pledges Receivable	<u>\$ 2,471,003</u>

The discounts to net present value are calculated using a risk-free interest rate of 1.25% at June 30, 2020.

All pledges are considered collectible until determined by management otherwise. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. At fiscal year-end, any balances that are outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense. For the year ended June 30, 2020, pledges of \$49,824 were written off. At June 30, 2020, a valuation allowance of \$71,261 had been recorded.

The Organization had no conditional promises to give at June 30, 2020.

NOTE 4 – LONG-TERM DEBT

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law to provide relief to taxpayers affected by the COVID-19 pandemic. The CARES Act provides opportunities for certain businesses to receive emergency grants and loans to pay qualifying expenses. In April 2020, the Organization was able to receive a Small Business Administration loan totaling \$286,673 that can be forgiven if the Organization's workforce is maintained at certain levels. The loan matures in April 2022, is unsecured and bears interest at a fixed rate of 1% with principal and interest payments being deferred for ten months after the end of the covered period. The first monthly principal and interest payment of \$32,388 is due August 26, 2021.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

Schedule of maturities of long-term debt is as follows:

2021	\$ -
2022	<u>286,673</u>
	<u>\$ 286,673</u>

NOTE 5 – OPERATING LEASES

The Organization leases its office space from a nonrelated entity. The lease is for a five-year term and is scheduled to expire in Jun 2024. Monthly payments range from \$6,920 to \$7,624.

The following is a schedule of future minimum rentals under the lease as of June 30, 2020:

2021	\$ 85,092
2022	87,164
2023	89,260
2024	<u>91,491</u>
	<u>\$ 353,007</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

The Organization receives and releases net assets with donor restrictions as described in Note 1. During the year ended June 30, 2020, the following activity occurred:

Net assets with donor restrictions as of June 30, 2019, as restated, See Note 8	\$ 290,593
Activity during the year ended June 30, 2020:	
Contributions, grants and program revenue received	645,591
Net assets released from restrictions	<u>(647,103)</u>
Net assets with donor restrictions as of June 30, 2020	<u>\$ 289,081</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

Subject to expenditure for a specified purpose:

Grants receivable for specific programs	\$ 289,081
Total Net Assets With Donor Restrictions	<u>\$ 289,081</u>

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash.

The Organization has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses without limitations:

Cash	\$ 1,679,906
Short-term pledges receivable, net	<u>762,556</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,442,462</u>

NOTE 8 – PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2020, management determined that the net assets with donor restrictions that was reported at June 30, 2019 was misstated. Balances totaling \$2,129,756 had been reported as funds with donor restrictions when there were no such restrictions on those funds. An adjustment to correctly report funds totaling \$2,129,756 as funds without donor restrictions is shown in the accompanying Statement of Activities.

In addition to that adjustment, management determined that total grants receivable was understated as of June 30, 2019. A prior period adjustment to correctly report grants receivable totaling \$288,993 as funds with donor restrictions is shown in the accompanying Statement of Activities.

NOTE 9 – COVID-19 PANDEMIC

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

NOTE 9 – COVID-19 PANDEMIC (CONTINUED)

The Organization is complying with applicable health safety guidelines issued by US federal, state and local governments. The pandemic caused the Organization to receive less contributions from individuals, foundations, and corporations. Grant revenue remained consistent to prior years and due to COVID-19, more grant funds are available during the fiscal year ending June 30, 2021.

During April 2020, the Organization also obtained an Economic Injury Disaster Loan Advance totaling \$10,000, which is designed to provide economic relief to businesses that are experiencing a temporary loss of revenue due to COVID-19. These funds are included contributions with donor restrictions in the accompanying Statement of Activities.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 7, 2021, the date the financial statements were available to be issued, and have concluded that, except as noted below, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

In February 2021, the Organization received notice of forgiveness in full of long-term debt totaling \$286,673, originating from the U.S. Small Business Administration Note and Paycheck Protection Program Loan Agreement. See Note 4 for further details.

The full impact of COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations for the fiscal year 2021. Management is actively monitoring the global situation on its financial condition, liquidity, operations, and workforce and is not able to estimate the effects of the outbreak on its operations, financial condition, or liquidity for the fiscal year 2021.