

FACES AND VOICES OF RECOVERY (FAVOR) UPSTATE SC

GREENVILLE, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

FACES AND VOICES OF RECOVERY (FAVOR) UPSTATE SC
GREENVILLE, SOUTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Faces and Voices of Recovery (FAVOR) Upstate SC
Greenville, South Carolina

We have audited the accompanying financial statements of Faces and Voices of Recovery (FAVOR) Upstate SC (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 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 (FAVOR) Upstate SC as of June 30, 2021 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 & Clinkner, LLC

March 8, 2022

FACES AND VOICES OF RECOVERY (FAVOR) UPSTATE SC

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

ASSETS

CURRENT ASSETS:

Cash	\$ 1,696,523
Cash - restricted	62,426
Grants receivable - restricted	192,497
Short-term pledges receivable, net	796,744
Prepaid expenses	8,779

Total Current Assets	<u>2,756,969</u>
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PROPERTY AND EQUIPMENT:

Office equipment, furniture and fixtures	160,703
Vehicles	24,640
Leasehold improvements	<u>197,291</u>

	382,634
Less: Accumulated depreciation	<u>123,830</u>

Net Property and Equipment	<u>258,804</u>
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OTHER ASSETS:

Security deposit	6,261
Long-term pledges receivable, net	1,085,845
Intangible assets, net of accumulated amortization of \$8,889	<u>6,111</u>

Total Other Assets	<u>1,098,217</u>
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TOTAL ASSETS	<u><u>\$ 4,113,990</u></u>
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LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable and accrued expenses	\$ 27,916
Accrued payroll liabilities	<u>78,806</u>

TOTAL LIABILITIES (ALL CURRENT)	<u>106,722</u>
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NET ASSETS:

With donor restrictions	254,923
Without donor restrictions	<u>3,752,345</u>

Total Net Assets	<u>4,007,268</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,113,990</u></u>
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The accompanying notes are an integral part
of these financial statements.

FACES AND VOICES OF RECOVERY (FAVOR) UPSTATE SC

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:			
Program Revenues:			
Veterans program	\$ 21,729	\$ -	\$ 21,729
Recovery training	9,786	-	9,786
Recovery meetings	649	-	649
Total Program Revenues	32,164	-	32,164
Contributions	665,443	140,293	805,736
Net special events revenue	159,123	-	159,123
Federal and state grants	-	480,976	480,976
Interest income	3,891	-	3,891
PPP loan forgiveness	-	565,800	565,800
Other income	-	-	-
Net assets released from restrictions	1,221,227	(1,221,227)	-
Total Support and Revenues	2,081,848	(34,158)	2,047,690
FUNCTIONAL EXPENSES:			
Direct program expenses	2,104,768	-	2,104,768
General and administrative expenses	171,769	-	171,769
Fundraising expenses	89,290	-	89,290
Total Functional Expenses	2,365,827	-	2,365,827
CHARITABLE CONTRIBUTIONS	505	-	505
LOSS ON DISPOSAL OF ASSETS	3,114	-	3,114
CHANGE IN NET ASSETS	(287,598)	(34,158)	(321,756)
NET ASSETS, Beginning of the year	4,039,943	289,081	4,329,024
NET ASSETS, End of the year	\$ 3,752,345	\$ 254,923	\$ 4,007,268

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

FACES AND VOICES OF RECOVERY (FAVOR) UPSTATE SC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Direct Program Expenses	General and Administrative Expenses	Fundraising Expenses	Total Functional Expenses
Salaries and wages	\$ 1,296,248	\$ 61,313	\$ 35,176	\$ 1,392,737
Conferences, conventions, and meetings	161,882	8,993	8,993	179,868
Advertising	6,504	-	723	7,227
Employee benefits	131,462	6,218	3,568	141,248
Independent contractor	26,011	380	-	26,391
Payroll taxes and benefits	98,059	4,638	2,661	105,358
Occupancy	105,781	12,445	6,222	124,448
Office expenses	138,309	7,684	7,684	153,677
Professional fees	13,600	55,439	17,000	86,039
Travel	21,809	-	-	21,809
Insurance	32,117	3,568	-	35,685
Telephone	13,440	1,581	791	15,812
Data management	-	-	4,706	4,706
Utilities	14,543	1,711	855	17,109
Repairs and maintenance	15,491	1,823	911	18,225
Dues and subscriptions	8,304	-	-	8,304
Bank and merchant fees	-	5,876	-	5,876
Depreciation	20,308	-	-	20,308
Amortization	900	100	-	1,000
TOTAL	<u>\$ 2,104,768</u>	<u>\$ 171,769</u>	<u>\$ 89,290</u>	<u>\$ 2,365,827</u>

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

FACES AND VOICES OF RECOVERY (FAVOR) UPSTATE SC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (321,756)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	20,308
Amortization	1,000
(Gain) loss on disposal of assets	3,114
Noncash rental expense	790
PPP loan forgiveness	(565,800)
(Increase) decrease in:	
Grants receivable	96,583
Pledges receivable, net	588,414
Prepaid expenses	(8,779)
Increase (decrease) in:	
Accounts payable and accrued expenses	17,423
Accrued payroll liabilities	(11,655)

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(180,358)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	<u>(19,726)</u>
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NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(19,726)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from small business loan	<u>279,127</u>
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NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>279,127</u>
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INCREASE (DECREASE) IN CASH	79,043
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CASH, Beginning of year	<u>1,679,906</u>
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CASH, End of year	<u><u>\$ 1,758,949</u></u>
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RECONCILIATION OF CASH:

Cash	\$ 1,696,523
Cash - restricted	<u>62,426</u>
	<u><u>\$ 1,758,949</u></u>

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

FACES AND VOICES OF RECOVERY (FAVOR) UPSTATE SC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Faces and Voices of Recovery (FAVOR) Upstate SC, formerly 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 exists so that everyone affected by substance use disorder in the Upstate region of South Carolina has a fighting chance at recovery. The Organization is supported through individual donors, organization donors, and public and private grants.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 \$20,308 for the year ended June 30, 2021.

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, 2021.

Future amortization expense for these costs is as follows:

2022	\$ 1,000
2023	1,000
2024	1,000
2025	1,000
2026	1,000
Thereafter	<u>1,111</u>
	<u>\$ 6,111</u>

Net Assets: Net assets and revenues, expenses, gains and losses are 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:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Without donor restrictions – Net assets that are not subject to donor-imposed restrictions and are available for use in general operations.
- With donor restrictions – Net assets whose use by the Organization is limited by donor-imposed time and or purpose restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Donated Services and In-kind Contributions: 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, 2021, 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.

Revenue Recognition: The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. 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. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization did not receive any conditional promises to give during the year ended June 30, 2021.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The contribution element is recognized immediately as revenue unless there is a right to return if the special event does not take place.

Program services revenue is derived from providing services related to their Veterans program, recovery training and providing space for recovery meetings. Amounts received are recognized as revenue at a point in time.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A portion of the Organization's revenue is derived from cost-reimbursable federal and state grants, which are conditioned upon the Organization providing advocacy and recovery support services to persons recovering from substance abuse disorders. Amounts received are recognized as revenue overtime as the Organization fulfills its performance requirements in compliance with the specific grant. Receivables from cost-reimbursable federal and state contracts totaled \$192,497 and \$289,081 at June 30, 2021 and 2020, respectively.

New Accounting Guidance Implementation: The Organization has adopted Accounting Standards Update (ASU) No. 2014-19 – Revenue from Contracts with Customers (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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 \$7,227 for the year ended June 30, 2021.

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 Standards: In 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated statement of financial position and disclosing essential information about leasing transactions. The requirements of ASU 2016-02, Leases are effective for fiscal year ending June 30, 2023. The Organization is currently evaluating the impact ASU 2016-02, Leases 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, 2021, \$1,271,008 of the Organization's cash funds were uninsured.

During the year ended June 30, 2021, approximately 12% of contributions was from one donor. At June 30, 2021, 42% of pledges receivable was due from two donors and 74% 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, 2021 are:

Receivable in less than one year	\$ 841,961
Less: Allowance for uncollectible pledges	<u>45,217</u>
Total Short-term Pledges Receivable	<u>796,744</u>
Receivable in one to five years	1,145,078
Less: Discount to net present value	<u>59,233</u>
Total Long-term Pledges Receivable	<u>1,085,845</u>
Total Pledges Receivable	<u><u>\$ 1,882,589</u></u>

The discounts to net present value are calculated using a risk-free interest rate of 1.98% at June 30, 2021.

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, 2021, pledges of \$3,136 were written off. At June 30, 2021, a valuation allowance of \$45,217 had been recorded.

The Organization had no conditional promises to give at June 30, 2021.

NOTE 4 – 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 June 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, 2021:

2022	\$ 117,791
2023	114,608
2024	<u>106,558</u>
	<u>\$ 338,957</u>

NOTE 5 – 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, 2021, the following activity occurred:

Net assets with donor restrictions as of June 30, 2020	\$ 289,081
Activity during the year ended June 30, 2021:	
Contributions and grants received	1,187,069
Net assets released from restrictions	<u>(1,221,227)</u>
Net assets with donor restrictions as of June 30, 2021	<u>\$ 254,923</u>

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	\$ 192,494
Contributions restricted for Pickens FAVOR project	50,000
Contributions restricted for Gina Love Fund	<u>12,429</u>
Total Net Assets With Donor Restrictions	<u>\$ 254,923</u>

NOTE 6 – 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.

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

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	\$ 1,696,523
Short-term pledges receivable, net	<u>796,744</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 2,493,267</u></u>

NOTE 7 – 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.

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.

NOTE 8 – SMALL BUSINESS LOAN

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.

In January 2021, the Organization was able to receive an additional Small Business Administration loan totaling \$279,127 that can be forgiven if the Organization’s workforce is maintained at certain levels.

In February 2021 and September 2021, the Organization received notice of forgiveness in full of long-term debts totaling \$286,673 and \$279,127, respectively, originating from the U.S. Small Business Administration Note and Paycheck Protection Program Loan Agreements. As such, the Organization has reported these amounts in PPP forgiveness income in the accompanying Statement of Activities.

NOTE 9 – NET SPECIAL EVENTS REVENUE

The Organization holds several fundraising events each year to help raise funds for their mission. Following is a summary of the fundraising events held during the year ended June 30, 2021:

NOTE 9 – NET SPECIAL EVENTS REVENUE (CONTINUED)

Fundraising revenues:	
Ask Event	\$ 162,723
Value of direct benefit to donors:	
Gift cards	<u>(3,600)</u>
Net special events revenue	<u>\$ 159,123</u>

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 8, 2022, 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 September 2021, the Organization received notice of forgiveness in full of long-term debt totaling \$279,127, originating from the U.S. Small Business Administration Note and Paycheck Protection Program Loan Agreement. See Note 8 for additional 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 2022. 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 2022.