

FACES AND VOICES OF RECOVERY (FAVOR) UPSTATE SC

GREENVILLE, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT -----	1
FINANCIAL STATEMENTS:	
STATEMENT OF FINANCIAL POSITION-----	3
STATEMENT OF ACTIVITIES -----	4
STATEMENT OF FUNCTIONAL EXPENSES -----	5
STATEMENT OF CASH FLOWS -----	6
NOTES TO FINANCIAL STATEMENTS -----	7

* * * * *



BRADSHAW, GORDON & CLINKSCALES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Dell Baker, CPA
Peter C. Tiffany, CPA/ABV, CFF
Mandy B. Satterfield
Sandra L. Watkins, CPA, CFP®

Roger B. Clinkscapes, CPA
1954-2014

Ellison D. Smith, CPA
Brian M. Graham, JD
James B. Starks, IV, CPA
Brandon M. Robinson, CPA

Roger R. Duncan, CPA
1956-2011

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Faces and Voices of Recovery (FAVOR) Upstate SC as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Faces and Voices of Recovery (FAVOR) Upstate SC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Faces and Voices of Recovery (FAVOR) Upstate SC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Faces and Voices of Recovery (FAVOR) Upstate SC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Faces and Voices of Recovery (FAVOR) Upstate SC's ability to continue as a going concern for a reasonable period of time.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Bradshaw, Gordon & Clinkner, LLC

Greenville, South Carolina
October 11, 2022

FACES AND VOICES OF RECOVERY (FAVOR) UPSTATE SC

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

ASSETS

CURRENT ASSETS:

Cash - unrestricted	\$ 1,739,457
Cash - restricted	87,789
Grants receivable - unrestricted	236,240
Grants receivable - restricted	102,575
Short-term pledges receivable, net	640,834
Prepaid expenses	<u>10,869</u>

Total Current Assets	<u>2,817,764</u>
----------------------	------------------

PROPERTY AND EQUIPMENT:

Office equipment, furniture and fixtures	164,798
Vehicles	24,640
Leasehold improvements	<u>197,291</u>

386,729

Less: Accumulated depreciation	<u>145,146</u>
--------------------------------	----------------

Net Property and Equipment	<u>241,583</u>
----------------------------	----------------

OTHER ASSETS:

Security deposit	6,911
Long-term pledges receivable, net	801,232
Intangible assets, net of accumulated amortization of \$9,889	<u>5,111</u>

Total Other Assets	<u>813,254</u>
--------------------	----------------

TOTAL ASSETS	<u><u>\$ 3,872,601</u></u>
--------------	----------------------------

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable and accrued expenses	\$ 23,685
Accrued payroll liabilities	<u>96,575</u>

TOTAL LIABILITIES (ALL CURRENT)	<u>120,260</u>
---------------------------------	----------------

NET ASSETS:

With donor restrictions	190,364
Without donor restrictions	<u>3,561,977</u>

Total Net Assets	<u>3,752,341</u>
------------------	------------------

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,872,601</u></u>
----------------------------------	----------------------------

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:			
Program Revenues:			
Veterans program	\$ 3,810	\$ -	\$ 3,810
Recovery training	6,253	-	6,253
Recovery meetings	3,102	-	3,102
Total Program Revenues	13,165	-	13,165
Contributions	1,151,695	37,120	1,188,815
Net special events revenue	696,438	-	696,438
Federal and state grants	-	836,861	836,861
Interest income	3,716	-	3,716
Other income	206	-	206
Net assets released from restrictions	938,540	(938,540)	-
Total Support and Revenues	2,803,760	(64,559)	2,739,201
FUNCTIONAL EXPENSES:			
Direct program expenses	2,594,304	-	2,594,304
General and administrative expenses	198,440	-	198,440
Fundraising expenses	201,384	-	201,384
Total Functional Expenses	2,994,128	-	2,994,128
CHANGE IN NET ASSETS	(190,368)	(64,559)	(254,927)
NET ASSETS, Beginning of the year	3,752,345	254,923	4,007,268
NET ASSETS, End of the year	\$ 3,561,977	\$ 190,364	\$ 3,752,341

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, 2022

	Direct Program Expenses	General and Administrative Expenses	Fundraising Expenses	Total Functional Expenses
Salaries and wages	\$ 1,196,769	\$ 101,556	\$ 127,333	\$ 1,425,658
Bad debt expense	615,229	-	-	615,229
Employee benefits	109,751	9,313	11,677	130,741
Occupancy	123,310	3,245	3,245	129,800
Payroll taxes and benefits	90,806	7,706	9,662	108,174
Conferences, conventions, and meetings	88,023	4,890	4,890	97,803
Data management	95,277	1,117	5,897	102,291
Independent contractor	26,642	36,153	26,989	89,784
Office expenses	54,523	1,148	1,722	57,393
Professional fees	29,760	19,994	3,720	53,474
Travel	34,872	-	-	34,872
Insurance	28,469	749	749	29,967
Telephone	24,452	643	643	25,738
Advertising	17,453	2,327	3,491	23,271
Repairs and maintenance	21,771	573	573	22,917
Depreciation	21,316	-	-	21,316
Utilities	13,924	366	366	14,656
Bank and merchant fees	-	7,242	-	7,242
Dues and subscriptions	1,057	1,318	427	2,802
Amortization	900	100	-	1,000
TOTAL	<u>\$ 2,594,304</u>	<u>\$ 198,440</u>	<u>\$ 201,384</u>	<u>\$ 2,994,128</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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (254,927)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	21,316
Amortization	1,000
Bad debt expense	615,229
(Increase) decrease in:	
Grants receivable	(146,318)
Pledges receivable, net	(174,706)
Prepaid expenses	(2,090)
Security deposit	(650)
Increase (decrease) in:	
Accounts payable and accrued expenses	(4,231)
Accrued payroll liabilities	17,769

NET CASH PROVIDED BY OPERATING ACTIVITIES

72,392

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	<u>(4,095)</u>
-------------------------------------	----------------

NET CASH USED BY INVESTING ACTIVITIES

(4,095)

INCREASE IN CASH

68,297

CASH, Beginning of year

1,758,949

CASH, End of year

\$ 1,827,246

RECONCILIATION OF CASH:

Cash	\$ 1,739,457
Cash - restricted	<u>87,789</u>
	<u><u>\$ 1,827,246</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, 2022

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	5 – 7 years
Vehicles	10 years
Leasehold improvements	39 – 40 years

Depreciation expense was \$21,316 for the year ended June 30, 2022.

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, 2022.

Future amortization expense for these costs is as follows:

2023	\$ 1,000
2024	1,000
2025	1,000
2026	1,000
2027	1,111
	<hr/>
	\$ 5,111

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, 2022, 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, 2022.

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 \$338,815 and \$192,497 at June 30, 2022 and 2021, respectively.

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 is a 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 \$23,271 for the year ended June 30, 2022.

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.

During the year ended June 30, 2022, approximately 99% of grants receivable was due from three organizations.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable are unconditional and due over five years. Pledges receivable at June 30, 2022 are:

Receivable in less than one year	\$ 738,805
Less: Allowance for uncollectible pledges	<u>97,971</u>
Total Short-term Pledges Receivable	<u>640,834</u>
Receivable in one to five years	878,236
Less: Discount to net present value	<u>77,004</u>
Total Long-term Pledges Receivable	<u>801,232</u>
Total Pledges Receivable	<u>\$ 1,442,066</u>

The discounts to net present value are calculated using a risk-free interest rate of 3.03% at June 30, 2022.

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, 2022, pledges of \$615,229 were written off. At June 30, 2022, an allowance for uncollectible pledges of \$97,971 has been recorded.

The Organization had no conditional promises to give at June 30, 2022.

NOTE 4 – OPERATING LEASES

The Organization leases its office space from nonrelated entities under operating leases. The operating leases range from three to five-year terms and are scheduled to expire at various times from February 2024 through June 2024. During the year ended June 30, 2022, monthly payments ranged from \$150 to \$7,263.

The following is a schedule of future minimum rentals under the leases as of June 30, 2022:

2023	\$ 114,607
2024	<u>106,558</u>
	<u>\$ 221,165</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, 2022, the following activity occurred:

Net assets with donor restrictions as of June 30, 2021	\$ 254,923
Activity during the year ended June 30, 2021:	
Contributions and grants received	873,981
Net assets released from restrictions	<u>(938,540)</u>
Net assets with donor restrictions as of June 30, 2022	<u>\$ 190,364</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	\$ 102,575
Contributions restricted for Pickens FAVOR project	50,000
Contributions restricted for Spartanburg FAVOR project	24,000
Contributions restricted for Gina Love Fund	<u>13,789</u>
Total Net Assets With Donor Restrictions	<u>\$ 190,364</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.

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 - unrestricted	\$ 1,739,457
Short-term pledges receivable, net	<u>640,834</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,380,291</u>

NOTE 7 – 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, 2022:

Fundraising revenues:	
Ask Event	\$ 706,875
Value of direct benefit to donors:	
Food and beverage	(9,306)
Gifts	<u>(1,131)</u>
Net special events revenue	<u>\$ 696,438</u>

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 11, 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.

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 2023. 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 2023.