

**DRUG-FREE MARION COUNTY, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2006**



"...plans, promotes, implements and coordinates community efforts to prevent and reduce the abuse of alcohol, tobacco and other drugs among youth and adults."

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**INDEPENDENT AUDITORS' REPORT**

To The Board of Directors of the  
Drug-Free Marion County, Inc.

We have audited the accompanying statement of financial position of Drug-Free Marion County, Inc. (an Indiana nonprofit organization) as of December 31, 2006 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Drug-Free Marion County, Inc. as of December 31, 2006, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Ent & Imler CPA Group*

ENT & IMLER CPA GROUP, PC

Indianapolis, Indiana  
July 25, 2007

**DRUG-FREE MARION COUNTY, INC.**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2006**

**ASSETS**

**CURRENT ASSETS:**

Cash	\$	13,869
Grants receivable		23,970
Prepaid assets		<u>4,113</u>

Total Current Assets 41,952

**PROPERTY AND EQUIPMENT, at cost:**

Office equipment		8,889
Less: Accumulated depreciation		<u>(5,958)</u>

Property and Equipment, net 2,931

\$ 44,883

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable	\$	6,257
Payroll liabilities		<u>3,330</u>

Total Current Liabilities 9,587

**NET ASSETS:**

Unrestricted net assets 35,296

Total Net Assets 35,296

\$ 44,883

**DRUG-FREE MARION COUNTY, INC.**

**STATEMENT OF ACTIVITIES**

**DECEMBER 31, 2006**

**REVENUE AND SUPPORT (unrestricted):**

Contributions	\$ 1,035
Grants	243,563
Workshop and other income	<u>12,000</u>
 Total Revenue and Support	 <u>256,598</u>

**PROGRAM AND ADMINISTRATIVE EXPENSES:**

Personnel	149,414
Contractual - consultants	12,033
Professional fees	5,175
Facility expenses	11,577
Office supplies	4,036
Insurance	2,459
Printing	4,689
Travel	5,488
Training	1,068
Marketing	31,577
Depreciation	1,914
Other program expenses	<u>13,503</u>
 Total Program and Administrative Expenses	 <u>242,933</u>

**CHANGE IN NET ASSETS** 13,665

**NET ASSETS, beginning of year** 21,631

**NET ASSETS, end of year** \$ 35,296

**DRUG-FREE MARION COUNTY, INC.**

**STATEMENT OF CASH FLOWS**

**DECEMBER 31, 2006**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 13,665
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,914
Increase in:	
Grants receivable	(5,677)
Prepaid assets	(2,009)
Increase (decrease) in:	
Accounts payable	(935)
Payroll liabilities	377
	<u>7,335</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>7,335</u>
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>	7,335
<b>CASH AND EQUIVALENTS, beginning of year</b>	<u>6,534</u>
<b>CASH AND EQUIVALENTS, end of year</b>	<u><u>\$ 13,869</u></u>

See independent auditors' report and accompanying notes to the financial statements.

**DRUG-FREE MARION COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Drug-Free Marion County, Inc. (the "Organization") is a non-profit organization organized in the state of Indiana that plans, promotes, implements and coordinates community efforts to prevent and reduce the abuse of alcohol, tobacco and other drugs among youth and adults.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Property and Equipment**

Assets are recorded at historical cost, or for donations, at fair market value at the date of the donation. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets ranging from 3 to 10 years. Expenditures for property and equipment and for renewals or betterments which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statements of activities.

Depreciation expense was \$1,914 for the year ending December 31, 2006.

**Support and Revenue**

The Organization receives the majority of its grant revenue from two sources. The individual circumstances and requirements of each grant are considered in determining whether the funds will be recorded as revenue when received or upon execution of grant stipulations. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

### Grants Receivable

Grants receivable represent amounts billed for program and administrative services provided that have not yet been collected.

Grants receivable considered uncollectible are charged against the allowance account in the year they are deemed uncollectible. The allowance account is adjusted at year end to reflect the percentage of expenses considered uncollectible. As of December 31, 2006, no allowance was deemed necessary.

### Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

### Net Assets

The financial statements report amounts separately by class of net assets:

#### Unrestricted net assets

Unrestricted amounts are those, which are currently available by the Board for use in the Organization's activities.

#### Temporarily restricted net assets

Temporarily restricted expendable amounts are those, which are restricted by grantors and donors for specific purposes. The Organization has no temporarily restricted net assets as of December 31, 2006.

#### Permanently restricted net assets

Permanently restricted amounts are those, which are subject to donor-imposed stipulations that require that they be maintained permanently by the Organization. Generally, the donors of these assets permit the use of all or part of the income earned on the related investments for general or specific purposes. Currently the Organization has no permanently restricted net assets.

### Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

### Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Therefore, no expenses have been recognized for income taxes in the accompanying financial statements. The Organization has been classified as an organization that is not a private foundation under Section 509(a).

### Management Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. It is at least reasonably possible that the significant estimates used will change within the next year. Actual results could differ from those estimates.

### Impairment of Long-Lived Assets

Each year, the Organization evaluates whether there has been an impairment that is other than temporary in any of its long-lived assets. An impairment in value is considered to have occurred when the undiscounted future net operating cash flows associated with the long-lived assets are not sufficient to cover the carrying value of the long-lived assets. If it is determined that an impairment in value has occurred, the carrying value will be written down to the present value of the future operating cash flows to be generated by the long-lived assets. Management has determined that no impairment existed as of December 31, 2006.

### Advertising and Marketing

It is the Organization's policy to expense advertising and marketing costs as they are incurred. Advertising expense was \$31,577 for the year ended December 31, 2006.

### Functional Allocation of Expenses

Expenses are charged to program, administrative, or fundraising based on a combination of specific identification and allocation by management and have been summarized on a functional basis in the Statement of Activities. Management has determined that the majority of the expenses in the Statement of Activities relates to program expenses.

## **NOTE 2 - ECONOMIC DEPENDENCY**

The Organization relies exclusively on grant funds to meet its financial needs. Some of the grants are renewable each year and others are one-time awards. It is always considered reasonably possible that benefactors, grantors or contributors will be lost in the near term.

## **NOTE 3 - OPERATING LEASES**

The Organization has an operating lease for office space and equipment usage that is renewable each year. The office lease is on a month-to-month basis and is payable in monthly installments of \$849, not including additional fees based upon equipment usage. For the year ended December 31, 2006, rent expense was \$10,439.

#### **NOTE 4 – CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits of \$100,000. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash or cash equivalents. As of December 31, 2006, the Organization had no amounts exceeding the FDIC insurable limit of \$100,000.