



Drug Prevention Resources

Financial Statements

For the Year Ended December 31, 2021

With Independent Auditor's Report Thereon

Drug Prevention Resources, Inc.
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December 31, 2021

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Independent Auditor's Report

To the Board of Directors of
Drug Prevention Resources, Inc.
Waxahachie, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Drug Prevention Resources, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 present fairly, in all material respects, the financial position of Drug Prevention Resources, Inc. as of December 31, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Drug Prevention Resources, Inc. 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 opinions.

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 Drug Prevention Resources, Inc.'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 and *Government 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.

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In performing an audit in accordance with generally accepted auditing standards and *Government 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 Drug Prevention Resources, Inc.'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 Drug Prevention Resources, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2022, on our consideration of Drug Prevention Resources, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Drug Prevention Resources, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Drug Prevention Resources, Inc.'s internal control over financial reporting and compliance.

Gasaway & Company, CPAs

Little Rock, Arkansas
September 26, 2022

Drug Prevention Resources, Inc.

Statement of Financial Position

December 31, 2021

Assets

Current Assets

Cash	\$	70,806
Grants receivable		90,573
Other current assets		5,122
Total Current Assets		<u>166,501</u>

Property and Equipment, net

5,230

Other Assets

4,215

Total Assets

\$ 175,946

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$	49,321
Accrued compensated absences		51,215
Total Current Liabilities		<u>100,536</u>

Total Liabilities

100,536

Net Assets

With donor restrictions		9,894
Without donor restrictions		65,516
Total Net Assets		<u>75,410</u>

Total Liabilities and Net Assets

\$ 175,946

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

Drug Prevention Resources, Inc.

Statement of Activities For the Year Ended December 31, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and Support			
Grants and contributions			
Individuals and corporate	\$ 32,898	\$ -	\$ 32,898
Grants	808,644	-	808,644
Other	372,641	-	372,641
Total Revenues and Support	<u>1,214,183</u>	<u>-</u>	<u>1,214,183</u>
Expenses			
Program services	856,806	-	856,806
Management and general	153,668	-	153,668
Fundraising	45,529	-	45,529
Total Expenses	<u>1,056,003</u>	<u>-</u>	<u>1,056,003</u>
Change in Net Assets	158,180	-	158,180
Net Assets, Beginning of Year	<u>(92,664)</u>	<u>9,894</u>	<u>(82,770)</u>
Net Assets, End of Year	<u>\$ 65,516</u>	<u>\$ 9,894</u>	<u>\$ 75,410</u>

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

Drug Prevention Resources, Inc.

Statement of Functional Expenses For the Year Ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and related	\$ 699,214	\$ 82,261	\$ 41,130	\$ 822,605
General and administrative	-	6,694	-	6,694
Travel and business	14,657	1,724	863	17,244
Professional fees	34,108	34,109	-	68,217
Marketing	-	1,224	1,223	2,447
Depreciation expense	3,023	356	177	3,556
Supplies	46,463	-	-	46,463
Rent	36,314	4,272	2,136	42,722
Office expenses	23,027	23,028	-	46,055
	<u>\$ 856,806</u>	<u>\$ 153,668</u>	<u>\$ 45,529</u>	<u>\$ 1,056,003</u>

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

Drug Prevention Resources, Inc.

Statement of Cash Flows For the Year Ended December 31, 2021

Cash Flows From Operating Activities	
Change in net assets	\$ 158,180
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation expense	3,556
(Increase)/Decrease in assets:	
Grants receivable	(12,375)
Other current assets	(4,307)
Other assets	(1,965)
Increase/(Decrease) in liabilities	
Accounts payable and accrued expenses	26,925
Accrued compensated absences	24,488
Net Cash Used by Operating Activities	<u>194,502</u>
Cash Flows from Investing Activities	
Capital expenditures	<u>-</u>
Net Cash Provided by Investing Activities	<u>-</u>
Cash Flows from Financing Activities	
Proceeds from long-term debt	<u>(185,600)</u>
Net Cash Provided by Investing Activities	<u>(185,600)</u>
Net Change in Cash	8,902
Cash, Beginning of Year	<u>61,904</u>
Cash, End of Year	<u>\$ 70,806</u>

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

Drug Prevention Resources, Inc.

Notes to Financial Statements

December 31, 2021

Note 1: Nature of Organization

Drug Prevention Resources, Inc. (the "Organization") is the oldest drug prevention organization in Texas, celebrating 86 years of service in 2021. The Organization is a not-for-profit substance abuse prevention organization with a mission dedicated to preventing youth substance abuse through innovative delivery of evidence-based strategies that empower youth, families, and communities to flourish within their environments. The Organization accomplishes this by providing individual strategies for high-risk youth and environmental strategies in high-risk neighborhoods. The Organization is supported primarily through federal grants, state grants, and donor contributions.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions:

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Drug Prevention Resources, Inc.'s management and the board of directors.

Net assets with donor restrictions:

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Drug Prevention Resources, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash

The Organization considers all short-term investments with an original maturity of ninety days or less to be cash equivalents. The Organization places its cash, which, at times, may exceed federally insured limits, with high-credit quality institutions. The Organization has not experienced any losses on such accounts.

Grants Receivable

Grants receivable consists of amounts billed to federal and state agencies for program expenditures incurred as of year-end for reimbursement. The Organization deems all receivables collectible, hence there is no estimated allowance for doubtful accounts.

Property and Equipment, net

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from three to seven years. Drug Prevention Resources, Inc.'s policy is to capitalize renewals and betterments acquired for greater than \$5,000 and expense normal repairs and maintenance as incurred. The Organization's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Drug Prevention Resources, Inc.

Notes to Financial Statements

December 31, 2021

Grant Revenue

Grant revenue is received from the U.S. Department of Health and Human Services and the Texas Health and Human Services Commission, a pass-through entity for the U.S. Department of Health and Human Services, under a reimbursement contract. This revenue is recorded when earned as net assets without donor restrictions.

Individual and Corporate Contributions

Individual and corporate contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Functional Expenses

The cost of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the Organization's program activities and supporting services benefited. Such allocations are determined by management on an equitable basis.

Income Taxes

Drug Prevention Resources, Inc. is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose. Drug Prevention Resources, Inc. has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Drug Prevention Resources, Inc. has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Recent Accounting Pronouncements

The following accounting standards are future changes in accounting principles and will go into effect in future periods.

Accounting for Leases – FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheets as both a right-of-use asset and a liability. The standard has two types of lease for statements of operations recognition purposes; operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting or capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of and non-lease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Drug Prevention Resources, Inc.

Notes to Financial Statements

December 31, 2021

Subsequent Events

Drug Prevention Resources, Inc. has evaluated subsequent events through September 26, 2022, which is the date the financial statements were available to be issued. Drug Prevention Resources, Inc. is not aware of any material subsequent events.

Note 3: Availability and Liquidity

The following represents Drug Prevention Resources, Inc.'s financial assets at December 31, 2021:

Financial assets at year-end:

Financial assets at year-end:	
Cash	\$ 70,806
Accounts and grants receivable	90,573
Other current assets	5,122
Total financial assets	<u>166,501</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>9,894</u>
Total amounts not available to be used within one year	<u>9,894</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 156,607</u>

Drug Prevention Resources, Inc. is generally to maintain financial assets to meet 30 days of operating expenses (approximately \$90,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

Note 4: Paycheck Protection Program

On April 17, 2020, the Organization was granted a loan (the "Loan") from Frost Bank for \$185,600, pursuant to the Paycheck Protection Program (the "PPP") of the CARES Act. The loan was dated April 9, 2020 and matures on April 17, 2022. The Note may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Organization has used the entire Loan amount for qualifying expenses. The Loan was forgiven in its entirety of \$185,600 in 2021 and is included in the "Other" caption in the statement of activities.

In 2021, the Organization received a second draw of the PPP loan in the amount of \$185,600. This loan has substantially the same terms, conditions, and requirements of the first PPP loan. The second PPP loan was forgiven in its entirety of \$185,600 in 2021 and is included in the "Other" caption in the statement of activities.

Note 5: Property and Equipment, Net

Property and equipment, net consisted of the following at December 31, 2021:

Property and equipment	\$ 45,316
Less: accumulated depreciation	<u>(40,086)</u>
Property and equipment, net	<u>\$ 5,230</u>

Property and equipment consisted of equipment and furniture and fixtures. For the year ended December 31, 2021, depreciation expense totaled \$3,556.

Drug Prevention Resources, Inc.

Notes to Financial Statements

December 31, 2021

Note 6: Lease Commitments

The Organization leases office space under a noncancelable operating lease agreement expiring on September 30, 2025. Rent expense under these operating leases was approximately \$42,722 for the year ended December 31, 2021.

Required minimum lease payments under the lease agreements are approximately as follows for the years ending December 31,

2022	\$	43,650
2023		45,750
2024		47,850
2025		31,500
2026		0
2027		0
Thereafter		0
		<u>0</u>
	\$	<u>168,750</u>

Note 7: Concentration of Risk

As of December 31, 2021, 100% of the Organization's grants receivable were due from two grantors. For the year ended December 31, 2021, the Organization received approximately 97% of its total support and revenue from two grantors.

Note 8: Net Assets

Net assets with donor restrictions for the year ended December 31, 2021 are as follows:

Specific purpose	
Navarro County Programs	<u>\$ 9,894</u>
Total	<u>\$ 9,894</u>

Net assets without donor restrictions for the year ended December 31, 2021 are as follows:

Undesignated	<u>\$ 65,615</u>
Total	<u>\$ 65,516</u>

There were no net assets released from donor restrictions for the year ended December 31, 2021.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Drug Prevention Resources, Inc.
Waxahachie, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Drug Prevention Resources, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Drug Prevention Resources, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Drug Prevention Resources, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Drug Prevention Resources, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Drug Prevention Resources, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gateway Company, CPAs

Little Rock, Arkansas
September 26, 2022

Gasaway & Company, CPAs

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Drug Prevention Resources, Inc.
Waxahachie, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Drug Prevention Resources, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Drug Prevention Resources, Inc.'s major federal programs for the year ended December 31, 2021. Drug Prevention Resources, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Drug Prevention Resources, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Drug Prevention Resources, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Drug Prevention Resources, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Drug Prevention Resources, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Drug Prevention Resources, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Drug Prevention Resources, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Drug Prevention Resources, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Drug Prevention Resources, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Drug Prevention Resources, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Accordingly, we do not express an opinion on the effectiveness of Drug Prevention Resources, Inc.'s internal control over compliance.

Gateway Company, CPAs

Little Rock, Arkansas
September 26, 2022

Drug Prevention Resources, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Name of Grant/ Grant ID #	Expenditures
Department of Health and Human Services			
Drug-Free Communities Support Program Grants (DFC)	93.276	H79SP021568	\$ 31,881
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	H79SP081147	48,683
Passed Through Texas Health and Human Services Commission			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Youth Prevention - Universal/ HHS000539700033	97,871
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Youth Prevention - Selective/ HHS000539700091	78,444
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Community Coalition Partnerships/ HHS000539700137	63,095
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Community Coalition Partnerships/ HHS000539700138	62,034
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Community Coalition Partnerships/ HHS000539700140	65,099
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Community Coalition Partnerships/ HHS000539700141	68,301
Block Grants for Prevention and Treatment of Substance Abuse	93.959	CCP COVID-19 Expansion/ HHS000539700242	59,546
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Community Coalition Partnerships/ HHS000539700242	148,709
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Youth Prevention - Selective/ HHS000539700242	28,578
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Youth Prevention - Universal/ HHS000539700242	55,642
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>727,319</u>
Total Passed Through Texas Health and Human Services Commission			<u>727,319</u>
Total Expenditures of Federal Awards			<u>\$ 807,883</u>

See accompanying notes to schedule of expenditures of federal awards.

Drug Prevention Resources, Inc.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Drug Prevention Resources, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Texas Governor's Office of Budget and Planning, Uniform Grant Management Standards, which include the State of Texas Single Audit Circular (UGMS). Because the schedules present only a selected portion of the operations of Drug Prevention Resources, Inc., they are not intended to and do not present the financial position, changes in net assets or cash flows of Drug Prevention Resources, Inc.

Note 2: Indirect Costs

Expenditures on the schedule of expenditures of federal and state awards are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Drug Prevention Resources, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Drug Prevention Resources, Inc.

Schedule of Findings and Questioned Costs

December 31, 2021

I. Summary of Auditor's Results

1. We have issued an unmodified opinion on the financial statements of Drug Prevention Resources, Inc. as of and for the year ended December 31, 2021.
2. No material weaknesses relating to the audit of the financial statements were found.
3. No significant deficiencies relating to the audit of the financial statements were found.
4. The results of the financial statement audit disclosed no instances of noncompliance which were considered material to the financial statements.
5. We issued an unmodified opinion in our report on compliance for major programs for the year ended December 31, 2021.
6. No significant deficiencies relating to the audit of internal control over major federal award programs were found.
7. There were no audit findings that are required to be reported in accordance with OMB Uniform Guidance 200.516(a).
8. The program tested as a major program for the year ended December 31, 2021 is as follows:

Cluster/Program	CFDA Number
Block Grants for Prevention and Treatment of Substance Abuse	93.959

9. The threshold used for distinguishing between type A and B programs was \$750,000.
10. Drug Prevention Resources, Inc. did not qualify as a low-risk auditee.

II. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None.

III. Findings and Questioned Costs Relating to Federal Awards

None

Drug Prevention Resources, Inc.
Schedule of Prior Year Findings and Questioned Costs
December 31, 2021

No matters are reportable.