



**Drug Prevention
Resources**

Financial Statements

and

Independent Auditor's Reports

December 31, 2019

Drug Prevention Resources, Inc.

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December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Drug Prevention Resources, Inc. as of December 31, 2019, 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.

Other Matters

Other 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 information 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 30, 2020, 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 the 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.

Garaway & Company, CPAs

Little Rock, Arkansas
September 30, 2020

Drug Prevention Resources, Inc.
Statement of Financial Position
December 31, 2019

Assets

| | |
|------------------------------------|------------|
| Current Assets | |
| Cash | \$ 33,202 |
| Accounts receivable | 2,406 |
| Grants receivable | 86,720 |
| Other current assets | 566 |
| Total Current Assets | 122,894 |
| Property and Equipment, net | 16,740 |
| Other Assets | 8,008 |
| Total Assets | \$ 147,642 |

Liabilities and Net Assets

| | |
|---|------------|
| Current Liabilities | |
| Accounts payable and accrued expenses | \$ 6,740 |
| Accrued compensated absences | 41,327 |
| Total Current Liabilities | 48,067 |
| Total Liabilities | 48,067 |
| Net Assets | |
| With donor restrictions | 9,894 |
| Without donor restrictions | 89,681 |
| Total Net Assets | 99,575 |
| Total Liabilities and Net Assets | \$ 147,642 |

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

Drug Prevention Resources, Inc.
Statement of Activities
For the Year Ended December 31, 2019

| | Without Donor Restrictions |
|--|-------------------------------|
| Revenues and Support | |
| Grants and contributions | |
| Individuals and corporate | \$ 325,146 |
| Grants | 1,075,596 |
| Investment return | 4,277 |
| Other | 71,508 |
| Total Revenues and Support | 1,476,527 |
| Expenses | |
| Program services | 1,457,013 |
| Management and general | 68,128 |
| Fundraising | 85,522 |
| Total Expenses | 1,610,663 |
| Change in Net Assets | (134,136) |
| Net Assets Without Donor Restrictions, Beginning of Year | 223,817 |
| Net Assets Without Donor Restrictions, End of Year | \$ 89,681 |

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, 2019

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|----------------------------|-----------------------------|-----------------------------------|--------------------|---------------------------|
| Salaries and related | \$ 869,017 | \$ 40,636 | \$ 51,011 | \$ 960,664 |
| General and administrative | 368,003 | 17,208 | 21,601 | 406,812 |
| Travel and business | 43,522 | 2,035 | 2,555 | 48,112 |
| Professional fees | 27,763 | 1,298 | 1,629 | 30,690 |
| Marketing | 16,703 | 782 | 980 | 18,465 |
| Depreciation expense | 4,756 | 223 | 280 | 5,259 |
| Supplies | 42,623 | 1,992 | 2,502 | 47,117 |
| Rent | 45,348 | 2,120 | 2,662 | 50,130 |
| Office expenses | 39,278 | 1,834 | 2,302 | 43,414 |
| | <u>\$ 1,457,013</u> | <u>\$ 68,128</u> | <u>\$ 85,522</u> | <u>\$ 1,610,663</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, 2019

| | |
|--|-----------------------------|
| Cash Flows From Operating Activities | |
| Change in net assets | \$ (134,136) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | |
| Depreciation expense | 5,259 |
| Realized and unrealized (gains)/losses on investments | (4,277) |
| (Increase)/Decrease in assets: | |
| Accounts receivable | 2,672 |
| Grants receivable | 35,369 |
| Other current assets | 49,934 |
| Other assets | (3,742) |
| Increase/(Decrease) in liabilities | |
| Accounts payable and accrued expenses | (20,784) |
| Accrued compensated absences | 4,471 |
| Net Cash Used by Operating Activities | <u>(65,234)</u> |
| Cash Flows from Investing Activities | |
| Purchase of investments | (49,902) |
| Sale of investments | 56,637 |
| Capital expenditure | (5,115) |
| Net Cash Provided by Investing Activities | <u>1,620</u> |
| Net Change in Cash | (63,614) |
| Cash, Beginning of Year | <u>96,816</u> |
| Cash, End of Year | <u><u>\$ 33,202</u></u> |

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

Drug Prevention Resources, Inc.

Notes to Financial Statements

December 31, 2019

Note 1: Nature of Organization

Drug Prevention Resources, Inc. (the “Organization”) is the oldest drug prevention organization in Texas, celebrating 84 years of service in 2019. 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

Drug Prevention Resources, Inc.’s 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.

Drug Prevention Resources, Inc.

Notes to Financial Statements

December 31, 2019

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.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on an average cost and are recorded in the statement of activities in the period in which securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

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.

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 (that is, when a 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 statements of activities as net assets released from restrictions.

Donated Services, Materials, and Facilities

Donations of noncash contributions are recorded at their estimated fair value on the date of donation. Donated services are recognized as contributions in accordance with U.S. GAAP if the services (a) create or enhance nonfinancial assets or (b) required and are provided by individuals with specialized skills and if not provided by donation would typically need to be purchased.

Drug Prevention Resources, Inc.

Notes to Financial Statements

December 31, 2019

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, unless that income is otherwise excluded by the Code. 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.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Drug Prevention Resources, Inc. groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

- Level I: Unadjusted quoted market prices for identical assets or liabilities in active markets of the measurement date.
- Level II: Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level III: Unobservable inputs that cannot be corroborated by observable market data.

Drug Prevention Resources, Inc.

Notes to Financial Statements

December 31, 2019

Recent Accounting Pronouncements

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

Revenue Recognition – The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

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 straightline 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 nonlease 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, 2019

Subsequent Events

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. At this stage, the impact on the Organization's business and activities has not been significant, and based on the Organization's experience to date, that is expected to remain the case. The Organization will continue to follow various government policies and advice, as well as continue operations in the best and safest way possible without jeopardizing the health of the Organization's people.

Drug Prevention Resources, Inc. has evaluated subsequent events through September 30, 2020, 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, 2019:

Financial assets at year-end:

| | |
|---|-------------------|
| Financial assets at year-end: | |
| Cash | \$ 33,202 |
| Accounts and grants receivable | 89,126 |
| Other current assets | 566 |
| Total financial assets | <u>122,894</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>\$ 113,000</u> |

Drug Prevention Resources, Inc. is generally to maintain financial assets to meet 30 days of operating expenses (approximately \$125,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

Note 4: Investments

The Organization sold all of their investments in 2019. The following schedule summarizes the investment return and its classification in the statement of activities for the year:

| | |
|--|-----------------|
| Realized and unrealized gains/(losses) | <u>\$ 4,277</u> |
| Net investment income/(loss) | <u>\$ 4,277</u> |

Drug Prevention Resources, Inc.

Notes to Financial Statements

December 31, 2019

Note 5: Property and Equipment, Net

Property and equipment, net consisted of the following at December 31, 2019:

| | |
|--------------------------------|------------------|
| Property and equipment | \$ 39,714 |
| Less: accumulated depreciation | <u>(22,974)</u> |
| Property and equipment, net | <u>\$ 16,740</u> |

Property and equipment consisted of equipment and furniture and fixtures. For the year ended December 31, 2019, depreciation expense totaled \$5,259.

Note 6: Retirement Plan

The Organization makes contributions for its staff to a retirement plan. In general, an employee who has attained at least 18 years of age and completed one year of service is eligible for a matching contribution of 10% of the employee's compensation. Total contributions to the plan were \$55,386 in 2019. The plan was terminated during 2019.

Note 7: Lease Commitments

The Organization leases office space and equipment under noncancelable operating lease agreements expiring on various dates through the year ending December 31, 2020. Rent expense under these operating leases was approximately \$50,130 for the year ended December 31, 2019.

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

| | |
|-------------------|-----------------|
| 2020 | \$ 9,500 |
| 2021 | 0 |
| 2022 & thereafter | <u>0</u> |
| | <u>\$ 9,500</u> |

Note 8: Concentration of Risk

As of December 31, 2019, 100% of the Organization's grants receivable were due from two grantors. For the year ended December 31, 2019, the Organization received approximately 73% of its total support and revenue from two grantors.

Drug Prevention Resources, Inc.
Notes to Financial Statements
December 31, 2019

Note 9: Net Assets

Net assets with donor restrictions for the year ended December 31, 2019 are as follows:

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

Net assets without donor restrictions for the year ended December 31, 2019 are as follows:

| | |
|--------------|----------------------------|
| Undesignated | <u>\$ 89,681</u> |
| Total | <u><u>\$ 89,681</u></u> |

There were no net assets released from donor restrictions for the year ended December 31, 2019. Given there was no activity in net assets with donor restrictions for the year ended December 31, 2019, the changes in net assets with donor restrictions are not presented in the statement of activities.

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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.
Dallas, 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, 2019, 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 30, 2020.

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.

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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*.

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.

Gasaway & Company, CPAs

Little Rock, Arkansas
September 30, 2020

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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.
Dallas, Texas

Report on Compliance for 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, 2019. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Drug Prevention Resources, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Drug Prevention Resources, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Drug Prevention Resources, Inc.'s compliance.

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Opinion on Each Major Federal Program

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, 2019.

Report on Internal Control over Compliance

Management of Drug Prevention Resources, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Drug Prevention Resources, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Drug Prevention Resources, Inc.'s 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Garaway & Company, CPAs

Little Rock, Arkansas
September 30, 2020

Drug Prevention Resources, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

| Federal or State Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Name of Grant/ Grant ID # | Expenditures |
|--|---------------------------|---|-------------------|
| Federal: | | | |
| Department of Health and Human Services | | | |
| Passed Through Texas Health and Human Services Commission | | | |
| Substance Abuse and Mental Health Services - Projects of Regional and National Significance | 93.243 | Strategic Prevention Framework - Partnership for Success/ 2016-048631-003 | \$ 84,922 |
| Total Substance Abuse and Mental Health Services - Projects of Regional and National Significance | | | <u>84,922</u> |
| Block Grants for Prevention and Treatment of Substance Abuse | * 93.959 | Community Coalition Partnerships/ 2016-047892-009 | 60,816 |
| Block Grants for Prevention and Treatment of Substance Abuse | * 93.959 | Community Coalition Partnerships/ 2016-047892-010 | 60,826 |
| Block Grants for Prevention and Treatment of Substance Abuse | * 93.959 | Community Coalition Partnerships/ 2016-047892-011 | 65,494 |
| Block Grants for Prevention and Treatment of Substance Abuse | * 93.959 | Community Coalition Partnerships/ 2016-047892-012 | 55,497 |
| Block Grants for Prevention and Treatment of Substance Abuse | * 93.959 | Community Coalition Partnerships/ HHS000539700137 | 34,145 |
| Block Grants for Prevention and Treatment of Substance Abuse | * 93.959 | Community Coalition Partnerships/ HHS000539700138 | 33,689 |
| Block Grants for Prevention and Treatment of Substance Abuse | * 93.959 | Community Coalition Partnerships/ HHS000539700140 | 37,265 |
| Block Grants for Prevention and Treatment of Substance Abuse | * 93.959 | Community Coalition Partnerships/ HHS000539700141 | 36,940 |
| Block Grants for Prevention and Treatment of Substance Abuse | * 93.959 | Youth Prevention - Indicated/ 2016-048108-003 | 127,929 |
| Block Grants for Prevention and Treatment of Substance Abuse | * 93.959 | Youth Prevention - Selective/ 2016-048004-003 | 91,964 |
| Block Grants for Prevention and Treatment of Substance Abuse | * 93.959 | Youth Prevention - Selective/ HHS000539700091 | 41,613 |
| Block Grants for Prevention and Treatment of Substance Abuse | * 93.959 | Youth Prevention - Universal/ HHS000539700033 | 51,835 |
| Total Block Grants for Prevention and Treatment of Substance Abuse | | | <u>698,013</u> |
| Total Passed Through Texas Health and Human Services Commission | | | <u>782,935</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 782,935</u> |
| State: | | | |
| General Revenue: | | | |
| Texas Health and Human Services Commission | N/A | Community Coalition Partnerships/ 2016-047892-009 | \$ 17,230 |
| Texas Health and Human Services Commission | N/A | Community Coalition Partnerships/ 2016-047892-010 | 17,230 |
| Texas Health and Human Services Commission | N/A | Community Coalition Partnerships/ 2016-047892-011 | 17,230 |
| Texas Health and Human Services Commission | N/A | Community Coalition Partnerships/ 2016-047892-012 | 17,230 |
| Texas Health and Human Services Commission | N/A | Youth Prevention - Indicated/ 2016-048108-003 | 28,946 |
| Texas Health and Human Services Commission | N/A | Youth Prevention - Selective/ 2016-048004-003 | 25,567 |
| Total Expenditures of State General Revenues | | | <u>\$ 123,433</u> |
| Total Expenditures of Federal Awards and State General Revenues | | | <u>\$ 906,368</u> |

*indicates major program

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, 2019

Note 1: General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Drug Prevention Resources, Inc. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

Note 2: Basis of Accounting

The accompanying schedule is prepared on the accrual basis of accounting.

Note 3: Indirect Costs

Expenditures on the schedule of expenditures of federal 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, 2019

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, 2019.
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, 2019.
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, 2019 is as follows:

| <u>Cluster/Program</u> | <u>CFDA Number</u> |
|--|--------------------|
| 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 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, 2019

No matters are reportable.