

THE SOUTHWEST COUNCIL, INC.

AUDIT REPORT

**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

THE SOUTHWEST COUNCIL, INC.

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-8
Statements of Cash Flows	9
Notes to Financial Statements	10-23
Supplementary Information:	
Independent Auditor's Report - Governmental Auditing Standards	24-25
Independent Auditor's Report on Single Audit	26-27
Schedule of Expenditures of Federal Awards	28
Notes to Schedule of Federal Awards	29
Schedule of Findings and Questioned Costs	
Part 1 - Summary of Auditor's Results	30-31
Part 2 - Schedule of Financial Statement Findings	33
Part 3 - Schedule of Federal Award Findings and Questioned Costs	33
Status of Prior Year Findings	33
Schedule of Budget to Actual	
Cumberland and Salem County Regional Coalition (1/1/18 - 12/31/18)	34
Gloucester County Regional Coalition (1/1/18 - 12/31/18)	34
Cumberland County Illegal Substance (1/1/18 - 12/31/18)	35
Cumberland County Underage Drinking (1/1/18 - 12/31/18)	35
Gloucester County Illegal Substance (1/1/18 - 12/31/18)	36
Gloucester County Underage Drinking (1/1/18 - 12/31/18)	36
Salem County Illegal Substance (1/1/18 - 12/31/18)	37
Salem County Underage Drinking (1/1/18 - 12/31/18)	37



Independent Auditor's Report

The Board of Directors
The Southwest Council, Inc.
Vineland, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of The Southwest Council, Inc. (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 *Governmental 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Southwest Council, Inc. (a nonprofit corporation) as of December 31, 2018 and 2017, and the changes in its net assets and cash flows for the years 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 supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 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 supplemental information listed in the table of contents and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic 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 May 31, 2019 on our consideration of The Southwest Council 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 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 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 The Southwest Council Inc.'s internal control over financial reporting and compliance.

Ford, Scott & Associates, L.L.C.

FORD, SCOTT & ASSOCIATES, L.L.C
CERTIFIED PUBLIC ACCOUNTANTS

May 31, 2019

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

	<u>2018</u>	<u>2017</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 434,102	259,757
Investments	110,449	108,544
Accounts Receivable	85,932	103,334
Employee Advances	465	-
Prepaid Expenses	10,852	16,005
Other Assets	<u>2,900</u>	<u>-</u>
Total current assets	644,700	487,640
Land, buildings and equipment, net of depreciation	578,963	563,280
Other Assets:		
Security Deposits	<u>4,095</u>	<u>3,188</u>
TOTAL ASSETS	<u><u>1,227,758</u></u>	<u><u>1,054,108</u></u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts Payable	60,036	59,051
Accrued Payroll Expenses	45,932	39,411
Deferred Revenue	15,061	-
Grant Advances	454,848	376,646
Other Current Liabilities	<u>6,955</u>	<u>10,281</u>
Total current liabilities	<u>582,832</u>	<u>485,389</u>
TOTAL LIABILITIES	<u>582,832</u>	<u>485,389</u>
NET ASSETS:		
Without Donor Restrictions :		
Undesignated	551,296	475,089
Designated for Capital Campaign	<u>93,630</u>	<u>93,630</u>
Total net assets:	<u>644,926</u>	<u>568,719</u>
TOTAL LIABILITES AND NET ASSETS	<u><u>\$ 1,227,758</u></u>	<u><u>1,054,108</u></u>

The accompanying notes are an integral part of these financial statements

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

	<u>Without Donor Restrictions</u> <u>2018</u>	<u>Without Donor Restrictions</u> <u>2017</u>
Changes in net assets:		
Public Support:		
State and Federal Grants	\$ 1,557,835	1,182,558
Revenue:		
Contracts	162,743	168,617
CCAR Training	-	7,700
IDRC Program Fees	174,130	182,072
Contributions	50,554	39,322
Interest Income	2,978	2,208
Miscellaneous	2,000	13,111
Total revenues, gains and other support	<u>1,950,240</u>	<u>1,595,588</u>
Expenses:		
Program Services	1,846,250	1,625,402
Support Services	27,783	25,418
Total expenses	<u>1,874,033</u>	<u>1,650,820</u>
(Decrease)/Increase in net assets	76,207	(55,232)
Net assets at beginning of year	568,719	623,951
Net assets at end of year	<u>\$ 644,926</u>	<u>568,719</u>

The accompanying notes are an integral part of these financial statements

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(with comparable totals for December 31, 2017)

	PROGRAM SERVICES												
	Gloucester County Regional Coalition	Salem/Cumberland County Regional Coalition	Cumberland County Illegal Substances	Cumberland County Underage Drinking	Gloucester County Illegal Substances	Gloucester County Underage Drinking	Salem County Illegal Substances	Salem County Underage Drinking	Salem County Overdose Recovery	Opolod Community Education Young Athletes	Gloucester County Partnership for Success	Salem County Partnership for Success	Cumberland County Partnership for Success
Salaries	\$ 92,587	99,132	67,934	52,985	69,197	35,919	32,970	16,750	226,578	5,014	27,425	54,725	
Payroll taxes & benefits	53,236	47,073	15,323	13,015	21,989	10,507	8,869	4,540	34,883	2,166	11,009	19,591	
Total salaries and related expenses	145,823	146,205	83,257	66,000	91,186	46,426	41,839	21,290	261,461	7,180	38,434	74,316	-
Consultants													
Advertising	8,452	15,795	668	578	592	434	387	375	923	3,008	150	408	
Bank Service Charges			212	157	288	98	140	30	787		21,417	17,395	1,012
Supplies	87	106	76	65	97	27	48	11	245		23	29	
Volunteer Expense	2,775	3,074	2,463	1,877	2,226	1,269	1,031	511	8,686	106	1,149	1,810	
Insurance	1,777	1,829	1,492	1,158	1,430	760	700	328	4,166	79	695	1,098	
Telephone	880	1,255	922	706	818	468	318	172	5,514	48	369	675	
Travel	1,679	1,687	757	618	877	532	274	280	678	1,039	106	288	
Training	2,014	2,803	1,541	1,477	1,667	1,433	1,506	1,392	1,399	-	941	1,057	
Dues and Subscriptions	397	407	328	254	319	173	154	101	873	8	157	250	921
Rent Expense	7,484	270	4,248	3,150	1,614	2,231	3,343	1,538	6,212	59	1,929	-	
Postage	742	449	588	431	394	263	317	145	1,113	17	171	220	
Meeting	3	4	2	2	4	1			8				
Professional Fees	1,221	1,039	1,206	1,038	954	483	468	334	2,547	71	503	1,001	
Program Materials	7,660	12,524	7,175	4,200	4,988	3,755	3,755	4,030	6,750	13,824	4,558	4,782	
Miscellaneous	2,357	3,253											
Payroll Service	263	264	222	166	212	110	97	47	628	2	109	171	
Utilities	2,076	1,172	1,599	1,192	1,143	791	896	437	3,402	61	622	583	
Interest and Taxes													
Facility Expense	5,434	5,521	4,511	3,484	3,975	2,363	2,257	1,361	10,675	479	1,455	2,338	
Total expenses before depreciation	191,124	197,657	111,267	86,553	112,784	61,617	57,530	32,382	316,067	25,990	72,788	106,421	1,933
Depreciation	1,636	1,624	1,375	1,059	1,261	713	608	322	3,785	72	681	1,075	-
Total Expenses	\$ 192,760	199,281	112,642	87,612	114,045	62,330	58,138	32,704	319,852	26,062	73,469	107,496	1,933

(A) - see pages 3-4 for detail of 2017 expenditures

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES											
	Gloucester County Regional Coalition	Salem/ Cumberland County Regional Coalition	Cumberland County Illegal Substances	Cumberland County Underage Drinking	Gloucester County Illegal Substances	Gloucester County Underage Drinking	Salem County Illegal Substances	Salem County Underage Drinking	Salem County Opoid Overdose Recovery	Gloucester County Partnership for Success	Salem County Partnership for Success	Commercial Township MAC
Salaries	\$ 74,239	81,009	56,679	57,291	62,343	88,796	17,291	31,867	38,199	63,336	69,221	298
Payroll taxes & benefits	6,066	36,382	16,380	14,196	22,991	20,042	4,974	8,505	6,696	26,233	19,315	27
Total salaries and related expenses	80,305	117,391	73,059	71,487	85,334	108,838	22,265	40,372	44,895	89,569	-	-
Consultants	599	595	417	378	452	398	302	347	37	197	89	
Advertising	24,986	23,803	13	13	13				40	31	34	
Bank Service Charges	41	43	31	32	35	44	8	16	754	1,374	1,762	
Supplies	1618	2,195	1,763	1,543	1,776	3,842	1,528	1,636				
Volunteer Expense												
Insurance	1,479	1,517	1,334	1,152	1,582	1,773	381	677	808	1,268	1,285	
Telephone	988	1,083	975	841	1,038	1,218	299	468	1,041	841	982	
Travel	5,669	5,297	1,200	996	1,568	1,697	2,006	528	547	573	1,042	
Training	114	125	213	106	161	164	14	58	3	121	149	
Dues and Subscriptions	192	167	170	147	213	238	47	102	74	176	147	
Rent Expense	5,017	515	483	334	5,929	7,294	1,333	2,927	748	5,011	212	
Postage	165	205	183	144	191	205	42	76	137	217	164	
Professional Fees	1,157	1,130	1,331	1,060	1,539	1,283	420	875	1,251	1,251	621	
Program Materials	53,137	28,182	3,635	3,634	5,945	1,812	1,602	507	8,933	296	17	29
Miscellaneous												
Payroll Service	213	214	222	170	241	229	260	137	106	201	116	
Utilities	2,158	988	964	801	2,368	2,834	562	1,122	853	1,989	839	
Interest and Taxes	127	155	156	128	146	157	45	69	24	118	136	
Facility Expense	4,181	2,776	2,735	2,375	4,122	4,653	1,002	1,943	1,966	3,258	2,299	
Total expenses before depreciation	182,146	186,381	88,871	85,328	112,653	136,679	32,116	51,860	60,966	106,491	9,886	29
Depreciation	1,422	1,620	1,452	1,259	1,547	1,676	374	656	771	1,164	1,437	
Total Expenses	\$ 183,568	188,001	90,323	86,587	114,200	138,355	32,490	52,516	61,737	107,675	11,333	29

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES						SUPPORT SERVICES			Totals 2017
	Treatment Services	Military Family Night Out	Cumberland County Transportation	Cumberland County Healthy Communities Coalition	Salem County Intoxicated Driver Resource Center	Cumberland County Intoxicated Driver Resource Center	Total Program Expenses	General And Administrative	Total Support Services Expenses	
Salaries	67,523	3,715	39,341	55,613	32,126	80,779	919,666	426	426	920,092
Payroll taxes & benefits	13,864	1,118	13,696	19,956	6,806	19,345	256,592	2,734	2,734	259,326
Total salaries and related expenses	81,387	-	53,037	75,569	38,932	100,124	1,176,258	3,160	3,160	1,179,418
Consultants	216		181	142	847	296	5,493	-	-	5,493
Advertising	22		34	30	20	79	540	-	-	48,802
Bank Service Charges	1378	100	1,874	1,788	1,087	2,592	28,610	108	108	28,718
Supplies				35,558			35,558			35,558
Volunteer Expense	1,095	70	1,389	1,137	737	1,895	19,579	2	2	19,581
Insurance	792	61	1,559	791	528	1,400	14,905	-	-	14,905
Telephone	1,969	78	824	2,763	475	1,309	28,541	2,458	2,458	30,999
Travel	453	18	232	95	74	157	2,257	2,752	2,752	5,009
Training	133	5	159	98	92	212	2,372	1,501	1,501	3,873
Dues and Subscriptions	388	265	162	24	628	95	31,365	699	699	32,064
Rent Expense	163	7	210	150	81	250	2,590	7	7	2,597
Postage	1,383	17	1,173	887	1,893	1,893	16,020	-	-	16,020
Professional Fees	486	4,665	5,290	5,073	38	108	123,389	3,042	3,042	126,431
Program Materials										
Miscellaneous	-									
Payroll Service	234	1	238	165	118	301	3,166	567	567	3,166
Utilities	789	104	866	734	457	1,181	19,589	235	235	19,824
Interest and Taxes	142	9	160	118	83	222	1,997	875	875	2,872
Facility Expense	2,261	191	2,576	2,089	2,248	3,525	44,200	328	328	44,528
Total expenses before depreciation	93,271	5,591	69,964	127,211	46,445	115,639	1,605,231	15,734	15,734	1,620,965
Depreciation	1,194	74	1,467	1,197	795	2,046	20,171	9,684	9,684	29,855
Total Expenses	94,465	5,665	71,431	128,408	47,240	117,685	1,625,402	25,418	25,418	1,650,820

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 76,207	(55,232)
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Depreciation	33,724	29,855
Interest Reinvested in Investments	(1,905)	(1,872)
(Increase)/Decrease in accounts receivable	17,402	34,672
(Increase) in employee advances	(465)	-
(Increase)/Decrease in prepaid expenses	5,153	(2,233)
(Increase) in other assets	(2,900)	-
(Increase) in security deposits	(907)	-
(Decrease) in accounts payable	985	(8,918)
Increase in accrued payroll expenses	6,521	2,002
Increase in deferred revenue	2,756	-
Increase in grant advances	90,507	140,348
Increase in other current liabilities	(3,326)	72
Net cash provided by operating activities	<u>223,752</u>	<u>138,694</u>
Cash flow from investing activities:		
Purchase of depreciable assets	(49,407)	(4,102)
Net cash (used in) investing activities	<u>(49,407)</u>	<u>(4,102)</u>
Cash flow from financing activities:		
Line of credit advances	-	130,000
Line of credit payments	-	(130,000)
Payment of mortgage	-	(61,105)
Net cash (used in) financing activities	<u>-</u>	<u>(61,105)</u>
Net increase in cash and cash equivalents	174,345	73,487
Cash and cash equivalents at beginning of year	259,757	186,270
Cash and cash equivalents at end of year	<u>\$ 434,102</u>	<u>\$ 259,757</u>
Supplemental Information		
Interest paid	<u>\$ -</u>	<u>2,872</u>

The accompanying notes are an integral part of these financial statements

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THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Southwest Council, Inc. (the Agency) is a private nonprofit corporation dedicated to providing substance abuse services in the Counties of Cumberland, Gloucester and Salem, New Jersey.

Basis of Accounting

The Agency utilizes the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses, including depreciation, are recognized when they are incurred.

Basis of Presentation

The accompanying combined financial statements have been presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Federation reports 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 Jewish Federation 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 Jewish Federation or by the passage of time. Other donor restrictions are perpetual in nature, where by 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.

It is the policy of the Agency to report donor-restricted contributions whose restrictions are met in the same reporting period as without donor restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and services benefited.

Income Tax Exemption

The Agency is exempt from Federal income taxes under the Section 501(c)(3) of the Internal Revenue Code. The Agency is also exempt from State income taxes and is registered with the

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

State of New Jersey under the New Jersey Charitable Registration and Investigation Act (CRI) of 1994. No provision has been made for federal or state income taxes.

The Agency regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. The Agency believes that in the event of an examination by taxing authorities, the Agency's positions would prevail based upon the technical merits of such positions. Therefore, the Agency has concluded that no tax benefits or liabilities are required to be recognized. The Agency is generally no longer subject to examination by the Internal Revenue Service for years before January 1, 2016. The Agency is generally no longer subject to examination by the New Jersey Attorney General for years before January 1, 2015.

Grant and Contract Support

The Agency recognizes funds from the State of New Jersey and other grant sources (cost reimbursable grants) as support, as costs are incurred. A receivable is recognized to the extent costs have been incurred but not reimbursed. Conversely, a liability is recorded when grant advances exceed eligible costs incurred. Advance payments that are received are managed and used when necessary.

Cash and Cash Equivalents

The Agency considers all short-term investments with an original maturity of three months or less to be cash equivalents.

In 2018, \$0 was paid for real estate taxes and \$0 was paid for interest. In 2017, \$0 was paid for real estate taxes and \$2,872 was paid for interest.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allowance for Doubtful Accounts

The Agency carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Agency evaluates its accounts receivable and establishes an allowance for doubtful accounts. Based on the Agency's analysis, there was no requirement for an allowance as of December 31, 2018 and 2017.

The Agency's policy is not to accrue interest on delinquent accounts receivable.

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Property and Equipment

Depreciable assets are valued at historical cost or estimated fair market value for donated assets. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies net assets with restrictions to net assets without restrictions at that time. Depreciation is calculated based on the straight line method over five (5) or seven (7) years. It is the policy of the Agency to capitalize property and equipment with a cost of \$1,500 and \$1,500 or more in 2018 and 2017, respectively.

Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred; additions and major renewals considered to be betterments are capitalized.

Fixed assets purchased with federal grant monies are restricted to agency use. If the use of the asset changes, a portion of the funds used to purchase the asset must be returned to the funding agent.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Agency has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recent Accounting Pronouncements

In March 2019, the Financial Accounting Standards Board issued Accounting Standards Update No. 2019-03, “Not-for-Profit Entities (Topic 958): Updating the Definition of Collections”. The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency’s financial reporting.

In March 2019, the Financial Accounting Standards Board issued Accounting Standards Update No. 2019-01, “Leases (Topic 842): Codification Improvements”. The standard which is effective for years beginning after December 15, 2019 could have an effect on the Agency’s financial reporting.

In December 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-20, “Lease (Topic 842) Narrow-Scope Improvements for Lessors”. The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency’s financial reporting.

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

In November 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses". The standard which is effective for years beginning after December 15, 2020 will not have an effect on the Agency's financial reporting.

In November 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-18, "Collaborative Arrangements (Topic 808)" The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In October 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-17, "Consolidation (Topic 810)" The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In October 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-16, "Derivatives and Hedging (Topic 815)" The standard which is effective for years beginning after December 15, 2018 will not have an effect on the Agency's financial reporting.

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-15, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)" The standard which is effective for years beginning after December 15, 2019 could have an effect on the Agency's financial reporting.

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-14, "Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)." The standard which is effective for years beginning after December 15, 2021 could have an effect on the Agency's financial reporting.

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-13, "Fair Value Measurement (Topic 820)." The standard which is effective for years beginning after December 15, 2019 will have an effect on the Agency's financial reporting.

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-12, "Financial Services—Insurance (Topic 944)." The standard which is effective for years beginning after December 15, 2020 will not have an effect on the Agency's financial reporting.

In July 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-11, "Leases (Topic 842) Targeted Improvements." The standard which is effective for years beginning after December 15, 2019 will have an effect on the Agency's financial reporting.

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-08, "Not-for-Profit Entities (Topic 958)." The standard which is effective for years beginning after December 15, 2018 will have an effect on the Agency's financial reporting.

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-07, "Compensation—Stock Compensation (Topic 718)." The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In February 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220)." The standard which is effective for years beginning after December 15, 2018 will not have an effect on the Agency's financial reporting.

In January 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-01, "Land Easement Practical Expedient for Transition to Topic 842." The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In December 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-15, "Codification Improvements to Topic 995, U.S. Steamship Entities: Elimination of Topic 995." The standard which is effective for years beginning after December 15, 2018 will not have an effect on the Agency's financial reporting.

In November 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-14, "Income Statement—Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606)." The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In September 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-13, "Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842)." The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In August 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-12, "Derivatives and Hedging (Topic 815)", Targeted Improvements to Accounting for Hedging Activities. The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In July 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-11, "Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815)". The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In May 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-10, "Service Concession Arrangements (Topic 853)". The standard which is effective for years beginning after December 15, 2018 will not have an effect on the Agency's financial reporting.

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

In March 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20)". The standard which is effective for years beginning after December 15, 2019 will not have an effect on the agency's financial reporting.

In March 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-07, "Compensation—Retirement Benefits (Topic 715)". The standard which is effective for years beginning after December 15, 2018 will not have an effect on the agency's financial reporting.

In March 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-06, "Employee Benefit Plan Master Trust Reporting". The standard which is effective for years beginning after December 15, 2018 will not have an effect on the agency's financial reporting.

In February 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-05, "Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20)". The standard which is effective for years beginning after December 15, 2018 could have an effect on the agency's financial reporting.

In January 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-04, "Intangibles—Goodwill and Other (Topic 350)". The standard which is effective for years beginning after December 15, 2021 could have an effect on the agency's financial reporting.

In January 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-03, "Accounting Changes and Error Corrections (Topic 250) and Investments—Equity Method and Joint Ventures (Topic 323)". The standard which is effective for years beginning after December 15, 2020 will not have an effect on the agency's financial reporting.

In January 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-01, "Business Combinations (Topic 805)". The standard which is effective for years beginning after December 15, 2018 could have an effect on the agency's financial reporting.

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-18, "Statement of Cash Flows (Topic 230) Restricted Cash". The standard which is effective for years beginning after December 15, 2018 could have an effect on the agency's financial reporting.

In October 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-16, "Income Taxes (Topic 740)". The standard which is effective for years beginning after December 15, 2018 will not have an effect on the agency's financial reporting.

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-15, "Statement of Cash Flows (Topic 230)". The standard which is effective for years beginning after December 15, 2018 could have an effect on the agency's financial reporting.

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, "Financial Instruments—Credit Losses". The standard which is effective for years beginning after December 15, 2020 will not have an effect on the agency's financial reporting.

NOTE 2: PROGRAM SERVICES

The following programs are provided by the Agency:

Keys to Innervision - This program consists of a comprehensive skill-building program for youths ages 12-18 to change the beliefs and behaviors that lead to violence, drug abuse and related behaviors.

LifeSkills Training (LST) - This program is a designed to be taught as a multi-year, multi-tiered program for middle school students. This skill-building program is meant to assist in learning skills in life areas, which include drug resistance and general social skills.

Coping with Work and Family Stress - This program is a research-validated substance abuse prevention program proven to reduce the risks of alcohol, tobacco, drug abuse, and violence by targeting the major social and psychological factors that promote the initiation of substance use and other risky behaviors. This comprehensive and exciting program provides adults with the confidence and skills necessary to successfully handle challenging situations and to reduce stressors which can contribute to mental or physical health problems.

Keepin it R.E.A.L. - This program is a multi-cultural program grounded in students' cultural norms. It teaches youth how to live drug-free lives, by drawing on their personal strengths and cultural strengths of their families and communities. This program teaches communication and life skills that can combat negative peer pressure and other influences. The program extends resistance and life skills models by using a culturally based narrative and performance framework to enhance anti-drug norms and attitudes. Additionally it addresses the development of risk assessment, decision-making and resistance skills. Overall, the program produces significant effects in reducing gateway drug use (alcohol, tobacco and marijuana), increasing attitudes that support non-drug use, strengthening norms that support drug-free choices, and increasing resistance strategies.

Prevention Resource Center - Through this program, the Agency presents professional programs and technical assistance to various groups throughout the tri County area. The Resource Center also contains hundreds of books and films, and several thousand pamphlets and fact sheets on many topics related to substance abuse. The Resource Center is a free service and is open to the public.

Beginning Alcohol and Addictions Basic Education Studies (BABES) - Through this program, the Agency provides preschool and elementary school children with a unique and engaging six-week prevention program in which certified presenters use adorable puppets to teach children about such topics as increasing self esteem, decision-making, utilizing coping skills, and learning how to say no to alcohol, tobacco, and other drugs.

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Footprints for Life - This interactive puppet program is appropriate for children in 2nd and 3rd grades. Lessons include feelings, "I messages", conflict resolution, making decisions, alcohol, tobacco and other drugs.

Parenting for Prevention - This is a highly effective six session skills building program to teach parents about such topics as empowering and not enabling, handling conflict with children, setting limits, reinforcing and rewarding children, and teaching youth how to resolve conflicts.

Intoxicated Driver Resource Center - This program is a 12 hour educational program for all individuals convicted of DWI in the State of New Jersey. Participants must attend the IDRC within their county of residence and undergo a substance abuse assessment, which may require a referral to an approved treatment program. Follow up and case management services are provided by the program staff. The program is funded by fees which are collected by each participant.

Evaluation, Assessment, and Treatment Services - The Agency provides professional substance abuse evaluations, assessment and treatment provided as a professional service for adolescents and adults.

Camp Y.E.Y. (Youth Empowering Youth) - A free week-long youth leadership development camp for youngsters in grades four to twelfth who have participated in youth prevention/education programs conducted by the Southwest Council, Inc.

The Cumberland County Healthy Communities Coalition - CCHCC works to reduce substance abuse among youth in Cumberland County through the collaborative and coordinated efforts of key stakeholders from the entire community. The Coalition is a group of concerned community members of all ages and from all walks of life, including educators, law enforcement, parents, youth, faith leaders, health professionals, media, local government, and businesses. CCHCC also hosts the Cumberland County Youth Network for teens to participate in their efforts. Some of CCHCC's initiatives include producing a County-wide newsletter, participating in Rx Drug Take-Back events, providing Above the Influence activities to area youth, hosting the Youth Network, and providing trainings for community members in Cumberland County.

Employee Assistance Program - A valuable service provided to local businesses that helps to identify and to assist employees with substance abuse and related problems. Certified staff provide intervention services to employers to assist them with various concerns.

Family Nights Out (Strengthening Families) - This program for families includes children and family skill training sessions. Both parents and children learn and practice new behaviors separately, followed by working together so that appropriate responses to various behaviors become easier to incorporate into family interpersonal relations.

GRASP (Gloucester Regional Addictive Substances Prevention Coalition) - The Gloucester Regional Addictive Substance Prevention Coalition was formed to build healthy communities by reducing underage drinking, illegal substances with a special focus of opioids, and prescription medication across the lifespan. Our Coalition promotes coordination and partnership between organizations to create environments that are alcohol, tobacco and drug free. We build links between local organizations and individuals who are working to accomplish common goals. With the great partnerships of this coalition, we believe that we can crush the

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

illegal use of prescription medication and underage drinking. It is a pleasure to work with the professionals and people of Gloucester County, to make the region of Gloucester County a safer and better place for our children's future.

SCRATCH (Salem Cumberland Regional Action Toward Community Health Coalition) - SCRATCH engages community partners in Cumberland and Salem Counties to establish and sustain the environmental changes necessary to eliminate substance use and abuse. We will consistently develop and promote healthy opportunities and permanent change for current and future generations.

Cumberland County Human Services Transportation Program - CCHSTP offers free of charge, non-emergency transportation for residents of Cumberland County who need transportation to the following services: Mental Health Counseling/Services, Family Support Services and Programs, Healthcare/Medical Appointments, Drug and Alcohol Counseling Services, Prevention Programs, Early Intervention Programs, Social Service Appointments, and Other Healthcare services.

Partnerships for Success - The Partnerships For Success program in Cumberland, Salem, and Gloucester County programs' objective is to decrease youth underage drinking, marijuana use and misuse of prescription drugs/opioids by youth ages 9-20 and increase knowledge on the causes and effects of underage drinking, marijuana use, and misuse of prescription medications/opioids among youth, families and youth serving systems. Through the implementation of this initiative, policies and practices will be improved to reduce the risk factors and enhance the protective factors associated with behavioral health disorders. These objectives are accomplished through evidence based prevention, education, and training.

Salem County OORP (Opioid Overdose Recovery Program) - Engage individuals reversed from an opioid overdose to provide non-clinical assistance, recovery supports and appropriate referrals for assessment and substance use disorder treatment.

Too Good for Drugs program - Auto the Robot teaches kids not to be "Auto-matic" when they make decisions. 3rd graders will learn to identify and manage stress, communicate effectively, set goals, learn healthy habits and manage emotions during this 10-session program. Interactive activities, music, workbooks and an engaging robot are used to teach the lessons.

In addition, there are other smaller evidence based programs administered by the Agency that provide similar services to those described above.

County Tobacco Youth Action Groups - A program to establish and maintain a Youth Tobacco Action Group to advocate for tobacco policies, actively engage in tobacco prevention activities, and carry out activities associated with an educational awareness campaign in Cumberland, Gloucester and Salem Counties.

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3: AVAILABILITY AND LIQUIDITY

The following represents the Agency's financial assets at December 31, 2018 and 2017:

Financial assets at year end:	2018	2017
Cash and cash equivalents	\$ 434,102	259,757
Accounts receivable	85,932	103,334
Investments	110,449	108,544
Total financial assets	<u>630,483</u>	<u>471,635</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 630,483</u>	<u>471,635</u>

NOTE 4: INVESTMENTS

The Agency's investments consisted of the following certificate of deposit:

Institution	Fulton Bank CD
Term	60 Months
Maturity	July 23, 2019
Interest Rate	0.73%
Amount	\$110,449

Interest earned on the certificate of deposit is added to the principal balance on a quarterly basis.

NOTE 5: FAIR VALUE MEASUREMENTS

The Southwest Council's investments are reported at fair value in the accompanying statement of financial position.

Generally Accepted Accounting Principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Southwest Council uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Southwest Council measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 1 or 3 inputs were available to the Southwest Council in years ended December 31, 2018 and 2017.

Level 2 Fair Value Measurements

The fair value of investments is based on other than quoted market prices for similar assets held by the Southwest Council at year-end.

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 6: FIXED ASSETS

A summary of fixed assets at December 31 is as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 180,300	180,300
Buildings	494,494	494,494
Furniture, Fixtures & Equipment	179,907	169,804
Vehicles	<u>135,919</u>	<u>107,888</u>
	990,620	952,486
Less: Accumulated Depreciation	<u>(411,657)</u>	<u>(389,206)</u>
Net Property and Equipment	<u><u>\$ 578,963</u></u>	<u><u>563,280</u></u>

NOTE 7: FEDERAL AND STATE GRANTS

The Agency receives revenue under the State of New Jersey Department of Human Services Primary Prevention of Alcohol and Drug Abuse Grant. The Agency also receives funds, as a subrecipient, from the County of Cumberland to provide specific services for residents in Cumberland County, Salem County, and Gloucester County. These programs are managed by the State of New Jersey Department of Human Services, Division of Addiction Services.

NOTE 8: ACCOUNTS RECEIVABLE

Accounts receivable as of December 31 consist of the following due from program services:

	<u>2018</u>	<u>2017</u>
Total Accounts Receivable	<u><u>\$ 85,932</u></u>	<u><u>103,334</u></u>

NOTE 9: DONATED SERVICES

During 2018 and 2017 the agency received donated services in the Cumberland County Healthy Communities Coalition in the amount of \$43,511 and \$35,558, respectively. Revenues for donated services are recorded as contributions and expenses are recorded as volunteer expense.

NOTE 10: ACCRUED SICK AND VACATION

Employees of the Agency are permitted to accrue vacation time. A maximum of five (5) days are permitted to be carried to the following year. However, employees of the Agency are not permitted to accrue sick time. The employees will not be compensated for any unused sick time therefore; no liability for compensated absences is included in the financial statements. Employees are compensated for all earned vacation days upon separation and a liability has been established in the amount of \$6,955 and \$10,281 for years ended December 31, 2018 and 2017, respectively.

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 11: PAYROLL TAXES

As of December 31, 2018 and 2017, the Agency was current with all payroll and related taxes.

NOTE 12: DEFERRED COMPENSATION PLAN

An employee deferral plan was approved by the Board of Directors and is provided through Morgan Stanley DW, Inc. This plan is a Savings Incentive Match Plan for Employees (SIMPLE) and is available to eligible employees as a salary reduction agreement. In order to be eligible the individual must have been employed by the Agency at least one year and earn at least \$5,000. The agency will match the employee's contribution up to 3% of an employee's annual gross salary.

The amounts contributed by the Agency during the years ended December 31, 2018 and 2017 were \$11,697 and \$10,773 and covered salaries were \$548,598 and \$382,522, respectively.

NOTE 13: CONCENTRATION OF RISK

As of December 31, 2018 and 2017, the Agency had cash equivalents at financial institutions and in money market funds, which exceeded federal insured limits by \$212,129 and \$64,425, respectively. These balances fluctuate during the year and can at times exceed the combined FDIC limitations.

NOTE 14: LEASE ARRANGEMENTS

Effective January 11, 2013, the Agency entered into a lease agreement to rent office space in Mantua, NJ. This is a five year lease beginning February 1, 2013 and ending January 31, 2018. The lease was renewed on November 31, 2017 for an additional five year term beginning February 1, 2018 and ending January 31, 2023 with monthly rent payments of \$3,297 including CAM and Water and Sewer of \$273 and \$294, respectively.

Future minimum payments under the lease as of December 31, 2018 are:

2019	\$	39,564
2020		39,564
2021		39,564
2022		39,564
2023		3,297
		<hr/>
		\$ 161,553
		<hr/>

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 15: LINE OF CREDIT

On August 12, 2014, the Agency was approved for a \$250,000 promisory note with a revolving line of credit with Fulton Bank with a variable interest rate. Advances under the line of credit were used for short term working capital. The Line of Credit has a \$100,000 certificate of deposit pledged as collateral. Cash advances and payments were \$0 for 2018 and \$130,000 for 2017.

NOTE 16: MORTGAGE PAYABLE

On December 23, 2010 the Agency entered into a purchase agreement for 1405 N. Delsea Drive, Vineland, NJ. A mortgage was entered into with an individual in the amount of \$360,000 payable in monthly installments beginning February 1, 2011 with the final payment due January 1, 2018. The mortgage bears an interest rate of 6% per annum and is amortized over a seven year period. The mortgage is secured with a lien on the property. As of December 31, 2017 the mortgage was paid in full.

NOTE 17: GRANT ADVANCES

The Agency recognizes Federal Funds (cost reimbursable grants) as support, as costs are incurred. A receivable is recognized to the extent costs have been incurred but not reimbursed. Conversely, a liability is recorded when grant advances exceed eligible costs incurred. Advance payments that are received are managed and used when necessary. Upon final determination by the grantor, any excess revenue that was not deemed necessary for the program will be returned. As of December 31, 2018 and 2017 the amount due back to grantors is \$476,153 and \$376,646, respectively.

Detail of liability is as follows:

<u>Contract</u>	<u>Contractual Liability</u>
18-815	\$ 13,071
18-752	65,131
18DCF	3,615
17-815	2,259
17-752	170,355
16-752	199,956
14-815	461
Total Due as of December 31, 2018	<u><u>\$ 454,848</u></u>

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 18: NET ASSETS

Net assets without donor restrictions for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 551,296	475,089
Board Designated	<u>93,630</u>	<u>93,630</u>
Total Net Assets Without Donor Restrictions	<u>\$ 644,926</u>	<u>\$ 568,719</u>

On March 22, 2005, the Board of Directors designated funds on deposit in the money market account for a capital campaign. As of December 31, 2018, the amount of designated net assets was \$93,630.

NOTE 19: RECLASSIFICATION OF PRIOR BALANCES

Certain accounts have been reclassified in the prior year to conform with categories established in the current fiscal year.

NOTE 20: SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through May 31, 2019, the date which the financial statements were available to be issued and noted no items for disclosure.

SUPPLEMENTARY INFORMATION

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Independent Auditor's Report

Board of Directors
The Southwest Council, Inc.
Vineland, New Jersey

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 The Southwest Council Inc., as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise The Southwest Council Inc.'s basic financial statements, and have issued our report thereon dated May 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Southwest Council Inc.'s control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Southwest Council Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Southwest Council'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Southwest Council 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This communication is intended solely for the information and use of management, Board of Directors, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

Ford, Scott & Associates, L.L.C.

FORD, SCOTT & ASSOCIATES, L.L.C
CERTIFIED PUBLIC ACCOUNTANTS

May 31, 2019



Independent Auditor's Report

Board of Directors
The Southwest Council, Inc.
Vineland, New Jersey

Report on Compliance for Each Major Federal Program

We have audited The Southwest Council, 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 The Southwest Council, Inc.'s major federal programs for the year ended December 31, 2018. The Southwest Council, 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 the federal statutes, regulations, and the terms and conditions of the grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Southwest Council, 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 The Southwest Council, 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 The Southwest Council, Inc.'s compliance.

Opinion on Each Major Federal and State Program

In our opinion, The Southwest Council, 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, 2018.

Report on Internal Control Over Compliance

Management of The Southwest Council, 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 The Southwest Council, 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 The Southwest Council, 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 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.

Ford, Scott & Associates, L.L.C.

**FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS**

May 31, 2019

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

State Grantor/Pass-Through Grantor/Program Title	Federal CFDA #/Grant Award #	Federal FAIN #	Grant Period	Program or Award Amount	Receipts or Revenue Recognized	Budgetary Expenditures				(MEMO) Passed Through to Sub-Recipients	(MEMO) Cumulative Expenditures
						Pass Through	Source	Direct	Total		
Federal Funds:											
Department of Health and Human Services											
Passed Through New Jersey Department of Human Services											
Division of Mental Health and Addiction Services											
Utilize Environmental Strategies to Achieve Population Level Change for Cumberland & Salem Counties	93.959	B08TI010036	1/1/18-12/31/18	\$ 202,000	\$ 202,000	202,000			202,000		202,000
Utilize Environmental Strategies to Achieve Population Level Change for Gloucester County	93.959	B08TI010036	1/1/18-12/31/18	\$ 196,000	196,000	196,000			196,000		196,000
Illegal Substance Cumberland County	93.959	B08TI010036	1/1/18-12/31/18	\$ 118,400	115,407	115,407			115,407		115,407
Underage Drinking Gloucester County	93.959	B08TI010036	1/1/18-12/31/18	\$ 100,000	89,894	89,894			89,894		89,894
Illegal Substance Gloucester County	93.959	B08TI010036	1/1/18-12/31/18	\$ 130,000	116,083	116,083			116,083		116,083
Underage Drinking Gloucester County	93.959	B08TI010036	1/1/18-12/31/18	\$ 78,000	63,520	63,520			63,520		63,520
Illegal Substance Salem County	93.959	B08TI010036	1/1/18-12/31/18	\$ 59,000	59,000	59,000			59,000		59,000
Underage Drinking Salem County	93.959	B08TI010036	1/1/18-12/31/18	\$ 57,000	33,368	33,368			33,368		33,368
Opiod Overdose Recovery Salem County	93.959	B08TI010036	1/1/18-12/31/18	\$ 255,750	255,750	255,750			255,750		255,750
Opiod Overdose Recovery Salem County Expansion	93.959	B08TI010036	9/1/18-12/31/19	\$ 256,611	70,807	70,807			70,807		70,807
Total Division of Mental Health and Addiction Services					1,201,829	1,201,829		-	1,201,829	-	1,201,829
Strategic Prevention Framework Partnerships for Success	93.243	U79SP022094	10/1/17-9/30/18	\$ 239,501	178,006	178,006			178,006		220,110
Strategic Prevention Framework Partnerships for Success	93.243	U79SP023005	10/1/18-9/30/19	\$ 211,500	6,029	6,029			6,029		6,029
Total Strategic Prevention Framework Partnerships for Success					184,035	184,035		-	184,035	-	226,139
Opiod Community Education - Young Athletes	93.243	U79SP022094	10/1/17-9/30/18	\$ 38,799	25,910	25,910			25,910		25,910
Opiod Community Education - Young Athletes	93.243	U79SP023005	10/1/18-9/30/19	\$ 37,620	235	235			235		235
Total Opiod Community Education - Young Athletes					26,145	26,145		-	26,145	-	26,145
Total NJ Department of Human Services					1,412,009	1,412,009		-	1,412,009	-	1,454,113
Direct Funding											
Cumberland County Healthy Communities Coalition	93.276	SP017001	9/30/16-9/29/17	\$ 125,000	89,297	89,297		89,297	89,297		89,297
Cumberland County Healthy Communities Coalition	93.276	SP017001	9/30/17-9/29/18	\$ 125,000	56,529	56,529		56,529	56,529		56,529
Total Direct Funding					145,826	-		145,826	145,826	-	145,826
Total Federal Funds					\$ 1,557,835	1,412,009		145,826	1,557,835	-	1,599,839

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO THE SCHEDULE OF FEDERAL AWARDS
DECEMBER 31, 2018

NOTE 1: GENERAL

The accompanying schedule of expenditures of federal awards present the activity of all federal awards of the Agency. The Agency is defined in Note 1 of the Notes to the Financial Statements. All federal awards passed through other governmental agencies are included on the schedules of expenditures of federal awards.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. This basis of accounting is described in the Notes to the Agency's financial statements.

NOTE 3: RELATIONSHIP TO THE FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Agency's Financial Statements. Financial assistance revenues are reported in the Agency's financial statements on a GAAP basis as follows:

	Amount
Federal	\$ 1,557,835
Total	\$ <u>1,557,835</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

NOTE 5: INDIRECT COST RATES

The Agency has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Part I -- Summary of Auditor's Results

Type of auditor's report issued	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?	<u> </u>	yes	<u> X </u>	no
• Significant deficiency(ies) identified?	<u> </u>	yes	<u> X </u>	none reported
Noncompliance material to financial statements noted?		yes	X	no

Internal Control over major programs:				
•	Material weakness(es) identified?	_____	yes	<u> X </u> no
•	Significant deficiency(ies) identified?	_____	yes	<u> X </u> none reported

Unmodified

yes X no

Name of Federal Program or Cluster

Block Grants for Prevention and Treatment of Substance Abuse

\$ 750,000

X	yes	no
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THE SOUTHWEST COUNCIL INC.
(a nonprofit corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

Part I -- Summary of Auditor's Results (continued)

State Awards

Not Applicable

Internal Control over major programs:

- Material weakness(es) identified? _____ yes _____ no
- Significant deficiency(ies) identified? _____ yes _____ none reported

Type of auditor's report issued on
compliance major programs _____

Any audit findings disclosed that are required to
be reported in accordance with NJ OMB Circular 15-08 _____ yes _____ no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Dollar Threshold used to distinguish between type A and
type B programs:

\$ _____

Auditee qualified as low-risk auditee? _____ yes _____ no

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

(CONTINUED)

Part 2 – Schedule of Financial Statement Findings

NONE

Part 3 – Schedule of Federal Award Findings and Questioned Costs

NONE

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

STATUS OF PRIOR YEAR FINDINGS

NONE

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF COSTS
YEAR ENDED DECEMBER 31, 2018

Cumberland and Salem County Regional Coalition
January 1, 2018 - December 31, 2018

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries & Fringe	\$ 117,987	125,047	125,047	-
Consultant & Professional	4,382	15,383	15,383	-
Materials & Supplies	13,005	16,957	16,957	-
Specific Assistance to Clients	3,160	-	-	-
Other Costs	33,207	13,033	13,033	-
Facility Costs	9,372	7,639	7,639	-
General and Admin Allocation	19,827	22,916	22,881	35
Equipment	1,060	1,060	1,060	-
	<u>\$ 202,000</u>	<u>202,035</u>	<u>202,000</u>	<u>35</u>

Gloucester County Regional Coalition
January 1, 2018- December 31, 2018

Category	Final Budget	Expenditure Report Results	Current Year CPA Audited Results	Variance
Salaries & Fringe	\$ 117,844	125,231	125,231	-
Consultant & Professional	2,383	7,883	7,883	-
Materials & Supplies	19,929	10,787	10,787	-
Specific Assistance to Clients	3,160	1,060	1,060	-
Other Costs	22,840	11,379	11,379	-
Facility Costs	10,161	15,604	15,604	-
General and Admin Allocation	18,367	22,827	22,740	87
Equipment	1,316	1,316	1,316	-
	<u>\$ 196,000</u>	<u>196,087</u>	<u>196,000</u>	<u>87</u>

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF COSTS
YEAR ENDED DECEMBER 31, 2018

Illegal Substance
Cumberland County
January 1, 2018 - December 31, 2018

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries	\$ 77,298	67,615	67,615	-
Consultant & Professional	192	192	192	-
Materials & Supplies	4,596	8,534	8,534	-
Specific Assistance to Clients	1,580	2,457	2,457	-
Other Costs	13,039	7,108	7,108	-
Facility Costs	4,823	10,886	10,886	-
General and Admin Allocation	15,907	17,650	17,650	-
Equipment	965	965	965	-
Total Expenditures	118,400	115,407	115,407	-
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	\$ 118,400	115,407	115,407	-

Underage Drinking
Cumberland County
January 1, 2018 - December 31, 2018

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries	\$ 68,073	53,455	53,455	-
Consultant & Professional	192	192	192	-
Materials & Supplies	5,491	4,537	4,537	-
Specific Assistance to Clients	1,580	2,457	2,457	-
Other Costs	4,981	5,752	5,752	-
Facility Costs	4,840	8,262	8,262	-
General and Admin Allocation	13,851	14,247	14,247	-
Equipment	992	992	992	-
Total Expenditures	100,000	89,894	89,894	-
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	\$ 100,000	89,894	89,894	-

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF COSTS
YEAR ENDED DECEMBER 31, 2018

Illegal Substance
Gloucester County
January 1, 2018 - December 31, 2018

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries	\$ 81,320	76,549	76,549	-
Consultant & Professional	192	192	192	-
Materials & Supplies	6,028	5,661	5,661	-
Specific Assistance to Clients	1,580	2,457	2,457	-
Other Costs	8,817	6,930	6,930	-
Facility Costs	15,780	7,193	7,193	-
General and Admin Allocation	15,423	16,241	16,241	-
Equipment	860	860	860	-
Total Expenditures	130,000	116,083	116,083	-
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	\$ 130,000	116,083	116,083	-

Underage Drinking
Gloucester County
January 1, 2018 - December 31, 2018

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries	\$ 36,353	38,162	38,162	-
Consultant & Professional	192	192	192	-
Materials & Supplies	2,508	3,023	3,023	-
Specific Assistance to Clients	1,580	2,457	2,457	-
Other Costs	14,504	4,320	4,320	-
Facility Costs	15,001	5,694	5,694	-
General and Admin Allocation	7,346	9,156	9,156	-
Equipment	516	516	516	-
Total Expenditures	78,000	63,520	63,520	-
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	\$ 78,000	63,520	63,520	-

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF COSTS
YEAR ENDED DECEMBER 31, 2018

Illegal Substance
Salem County
January 1, 2018 - December 31, 2018

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries	\$ 37,482	34,633	34,633	-
Consultant & Professional	192	192	192	-
Materials & Supplies	1,970	2,773	2,773	-
Specific Assistance to Clients	1,580	2,457	2,457	-
Other Costs	6,954	4,024	4,024	-
Facility Costs	2,605	6,713	6,713	-
General and Admin Allocation	7,751	8,061	7,742	319
Equipment	466	466	466	-
Total Expenditures	59,000	59,319	59,000	319
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	\$ 59,000	59,319	59,000	319

Illegal Substance
Underage Drinking
Salem County
January 1, 2018 - December 31, 2018

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries	\$ 28,126	17,275	17,275	-
Consultant & Professional	192	192	192	-
Materials & Supplies	10,239	2,301	2,301	-
Specific Assistance to Clients	1,580	2,457	2,457	-
Other Costs	4,538	2,759	2,759	-
Facility Costs	6,135	3,448	3,448	-
General and Admin Allocation	5,888	4,634	4,634	-
Equipment	302	302	302	-
Total Expenditures	57,000	33,368	33,368	-
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	\$ 57,000	33,368	33,368	-

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF COSTS
YEAR ENDED DECEMBER 31, 2018

Opiod Overdose Recovery
Salem County
January 1, 2018 - December 31, 2018

<u>Category</u>	<u>Final Budget</u>	<u>Expenditure Report Results</u>	<u>CPA Audited Results</u>	<u>Variance</u>
Salaries	\$ 170,907	162,256	162,256	-
Consultant & Professional	-	-	-	-
Materials & Supplies	12,633	16,758	16,758	-
Specific Assistance to Clients	388			-
Other Costs	15,289	14,213	14,213	-
Facility Costs	18,355	16,400	16,400	-
General and Admin Allocation	36,744	44,807	44,689	118
Equipment	1,434	1,434	1,434	-
Total Expenditures	255,750	255,868	255,750	118
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	<u>\$ 255,750</u>	<u>255,868</u>	<u>255,750</u>	<u>118</u>

Opiod Overdose Recovery One Time Funding
Salem County
Cumberland, Gloucester and Salem Counties
January 1, 2018 - December 31, 2018

<u>Category</u>	<u>Final Budget</u>	<u>Expenditure Report Results</u>	<u>CPA Audited Results</u>	<u>Variance</u>
Salaries	\$ 56,047	50,048	50,048	-
Consultant & Professional	-	-	-	-
Materials & Supplies	6,224	3,115	3,115	-
Specific Assistance to Clients	-			-
Other Costs	177,405	3,967	3,967	-
Facility Costs	10,839	5,031	5,031	-
General and Admin Allocation	6,096	8,646	8,646	-
Equipment	-			-
Total Expenditures	256,611	70,807	70,807	-
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	<u>\$ 256,611</u>	<u>70,807</u>	<u>70,807</u>	<u>-</u>