

THE SOUTHWEST COUNCIL, INC.

AUDIT REPORT

**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

THE SOUTHWEST COUNCIL, INC.

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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, 2020 and 2019, 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, 2020 and 2019, 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 July 23, 2021 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

July 23, 2021

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

	<u>2020</u>	<u>2019</u>
ASSETS:		
Current assets:		
Cash and Cash equivalents	\$ 738,972	610,476
Investments	124,069	121,187
Grants and Accounts Receivable	195,041	190,567
Employee Advances	356	552
Prepaid Expenses	15,589	36,430
Other Assets	<u>2,161</u>	<u>15,000</u>
Total current assets	1,076,188	974,212
Land, buildings and equipment, net of depreciation	<u>564,678</u>	<u>554,977</u>
Other Assets:		
Security Deposits	<u>7,095</u>	<u>7,095</u>
TOTAL ASSETS	<u><u>1,647,961</u></u>	<u><u>1,536,284</u></u>
 LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts Payable	18,323	29,478
Accrued Payroll Expenses	21,567	62,759
Deferred Revenue	8,946	2,552
Grant Advances	798,218	595,651
Other Current Liabilities	<u>31,235</u>	<u>11,129</u>
Total current liabilities	<u>878,289</u>	<u>701,569</u>
TOTAL LIABILITIES	<u>878,289</u>	<u>701,569</u>
 NET ASSETS:		
Without Donor Restrictions :		
Undesignated	676,042	741,085
Designated for Capital Campaign	<u>93,630</u>	<u>93,630</u>
Total net assets	<u>769,672</u>	<u>834,715</u>
TOTAL LIABILITES AND NET ASSETS	<u><u>\$ 1,647,961</u></u>	<u><u>1,536,284</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,

	Without Donor Restrictions	Without Donor Restrictions
	<u>2020</u>	<u>2019</u>
Changes in net assets:		
Public Support:		
Federal Grants	\$ 1,791,929	1,725,207
Revenue:		
Contracts	61,000	265,008
CCAR Training	-	6,942
IDRC Program Fees	138,847	203,152
Contributions	4,650	27,599
Interest Income	4,699	4,105
Miscellaneous	573	3,850
Total revenues, gains and other support	<u>2,001,698</u>	<u>2,235,863</u>
Expenses:		
Program Services	1,956,854	1,964,070
Support Services	109,887	82,004
Total expenses	<u>2,066,741</u>	<u>2,046,074</u>
(Decrease)/Increase in net assets	(65,043)	189,789
Net assets at beginning of year	834,715	644,926
Net assets at end of year	<u>\$ 769,672</u>	<u>834,715</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, 2020
(with comparable totals for December 31, 2019)

	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	Opoid Community Education Young Athletes	Gloucester County Partnership for Success	Salem County Partnership for Success	Cumberland County Partnership for Success
Salaries	\$ 109,224	132,887	84,880	68,490	85,374	52,288	38,236	37,658	283,852	18,903	24,972	15,270	26,930
Payroll taxes & benefits	29,900	28,661	18,615	15,704	25,287	10,052	8,151	8,856	79,328	2,134	2,485	2,519	7,181
Total salaries and related expenses	139,124	161,548	103,495	84,194	110,661	62,340	46,387	46,514	363,180	21,037	27,457	17,789	34,111
Consultants	35	34	13	13	19	15	10	9	37		1	6	3
Advertising	23,763	16,772	552	515	733	409	312	305	1,748	146	308	260	100
Bank Service Charges	83	102	59	52	62	34	23	30	174	17	15	15	17
Supplies	2,859	2,844	1,841	1,636	1,850	1,056	676	860	13,297	370	487	260	614
Volunteer Expense													
Insurance	2,128	2,260	1,511	1,345	1,455	797	531	678	4,401	324	515	274	525
Telephone	1,124	1,275	721	649	708	401	265	333	14,116	192	266	215	273
Travel	2,484	46	126	117	102	19	-	25	158	2	40	2	
Training	1,664	376	167	138	237	118	56	109	1,523	176	1,553	1,876	1,452
Dues and Subscriptions	1,320	2,336	740	649	699	386	263	336	2,104	137	205	129	257
Rent Expense	10,998	2,926	2,328	2,037	1,570	3,046	2,656	3,271	25,112	438	4,131	954	144
Postage	331	345	269	248	227	127	56	79	1,964	50	71	53	107
Meeting													
Professional Fees	665	1,388	799	669	679	315	223	268	3,815	268	203	135	345
Program Materials	2,459	3,223	524	125	2,033	1,361	1,034	1,331	11,222	66	365	442	434
Miscellaneous	9	7	8	7	6	4	2	3	20		1		3
Payroll Service	462	473	328	289	317	168	110	141	958	68	114	64	118
Utilities	1,992	1,195	878	790	681	610	412	502	4,832	176	787	164	231
Facility Expense	3,898	3,439	2,226	2,025	2,123	1,311	879	1,042	14,092	470	1,607	456	674
Total expenses before depreciation	194,998	200,589	116,588	95,498	124,159	72,517	53,895	55,836	462,753	23,937	38,086	23,094	39,448
Depreciation	544	1,410	879	780	864	291	117	158	6,662	232	99	164	369
Total Expenses	\$ 195,542	201,999	117,467	96,278	125,023	72,808	54,012	55,994	469,415	24,169	38,185	23,258	39,817

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(with comparable totals for December 31, 2019)

	PROGRAM SERVICES										SUPPORT SERVICES		
	Cumberland County Older Adults	Gloucester County Older Adults	Salem County Older Adults	Treatment Services	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	2020	Totals	2019
Salaries	44,816	44,854	33,760		38,388	13,881	88,095	1,242,758	50,741	50,741	1,293,499	1,221,140	
Payroll taxes & benefits	12,715	4,576	8,043		11,378	1,523	10,227	287,335	15,338	15,338	302,673	291,315	
Total salaries and related expenses	57,531	49,430	41,803	-	49,766	15,404	98,322	1,530,093	66,079	66,079	1,596,172	1,512,455	
Consultants	10	5	11		2	267	20	510	3	3	513	16,819	
Advertising	10,365	10,202	10,442		16,703	183	795	94,613	-	-	94,613	79,595	
Bank Service Charges	34	43	33	244	22	103	852	2,014	76	76	2,090	848	
Supplies	1,171	1,242	1,036		1,053	586	2,538	36,276	960	960	37,236	41,866	
Volunteer Expense					2,938			2,938			2,938	21,405	
Insurance	880	878	734		692	368	1,948	22,244	487	487	22,731	21,204	
Telephone	436	434	344		312	370	1,248	23,682	1,250	1,250	24,932	20,802	
Travel	18				2,502		88	8,046	1,612	1,612	9,658	17,223	
Training	69	112	65		1,402	11	49	11,153	142	142	11,295	15,211	
Dues and Subscriptions	376	404	328	2,610	560	201	928	14,968	1,901	1,901	16,869	10,761	
Rent Expense	191	1,903	1,215		137	429	2,698	65,784	697	697	66,481	42,707	
Postage	152	144	105		147	113	393	4,981	95	95	5,076	11,595	
Meeting			28					28	135	135	163	4,937	
Professional Fees	549	560	365		158		1,136	12,540	246	246	12,786	30,991	
Program Materials	606	471	711	432	214	39	205	27,297	1,626	1,626	28,923	77,783	
Miscellaneous	4	6	4	18,359	6	266	8	18,723	9,689	9,689	28,412	7,761	
Payroll Service	185	171	154		180	74	407	4,761	105	105	4,866	3,632	
Utilities	368	624	454	1,050	253	244	1,031	16,224	270	270	16,494	16,006	
Facility Expense	1,180	1,401	1,446		776	786	2,831	43,712	658	658	44,370	56,535	
Total expenses before depreciation	74,125	68,030	59,250	25,012	77,831	19,444	115,497	1,940,587	86,031	86,031	2,026,618	2,010,136	
Depreciation	598	494	409		434	408	1,355	16,267	23,856	23,856	40,123	35,938	
Total Expenses	74,723	68,524	59,659	25,012	78,265	19,852	116,852	1,956,854	109,887	109,887	2,066,741	2,046,074	

(A) - see pages 3-4 for detail of 2019 expenditures

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	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 Recovery	Opoid Community Education Young Athletes	Gloucester County Partnership for Success	Salem County Partnership for Success	Cumberland County Partnership for Success
Salaries	99,567	120,841	70,537	61,135	77,617	49,224	33,234	35,469	268,839	18,746	35,277	42,150	41,315
Payroll taxes & benefits	46,902	25,709	10,667	9,496	24,251	10,750	8,206	8,731	56,669	3,102	4,728	12,898	12,130
Total salaries and related expenses	146,469	146,550	81,204	70,631	101,868	59,974	41,440	44,200	325,508	21,848	40,005	55,048	-
Consultants	5,095	6,711	79	59	85	47	35	44	518	11	1,174	1,172	1,177
Advertising	13,895	17,312					255	255		240	8,600	255	
Bank Service Charges	26	42	25	17	21	17	9	11	103	3	11	14	16
Supplies	2,465	3,340	2,198	1,240	2,011	1,426	994	971	12,573	388	1,136	1,445	1,225
Volunteer Expense													
Insurance	1,430	1,653	1,109	819	1,138	739	522	550	6,131	208	534	657	616
Telephone	934	1,251	818	614	896	517	366	413	8,571	164	335	508	504
Travel	2,995	2,747	689	483	617	282	131	189	1,565	24	429	508	386
Training	483	502	677	588	636	926	500	513	2,893	66	1,149	1,019	716
Dues and Subscriptions	585	1,070	458	337	454	286	212	217	2,290	62	269	285	240
Rent Expense	7,285	1,085	3,825	3,001	2,069	3,460	2,576	1,529	8,993	2,508	3,245	196	60
Postage	754	886	609	437	566	412	266	291	3,542	118	261	309	339
Meeting	12	13	96	7	9	5	4	4	46		4	4	5
Professional Fees	2,081	2,535	1,634	1,199	1,454	1,252	858	875	6,873	298	784	949	926
Program Materials	3,961	9,621	6,435	4,099	5,360	3,306	3,298	3,919	2,126	9,412	480	14,156	25
Miscellaneous													
Payroll Service	243	282	196	146	202	128	93	94	1,004	14	102	132	100
Utilities	1,829	899	1,175	906	933	875	647	524	3,952	150	719	328	288
Facility Expense	3,906	3,961	3,381	3,255	3,371	2,502	1,905	1,441	14,518	519	1,461	1,479	1,508
Total expenses before depreciation	194,468	200,460	104,808	87,838	121,690	76,164	54,111	56,040	401,206	36,033	60,698	78,464	8,131
Depreciation	932	1,173	742	545	788	475	337	373	3,926	163	282	460	448
Total Expenses	\$ 195,400	\$ 201,633	\$ 105,550	\$ 88,383	\$ 122,478	\$ 76,639	\$ 54,448	\$ 56,413	\$ 405,132	\$ 36,196	\$ 60,980	\$ 78,924	\$ 8,579

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	PROGRAM SERVICES						SUPPORT SERVICES					
	Cumberland County Older Adults	Gloucester County Older Adults	Salem County Older Adults	Treatment Services	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	Totals 2019
Salaries	3,253	2,075	1,098	12,585	58,824	79,100	10,660	71,106	1,192,652	28,488	28,488	1,221,140
Payroll taxes & benefits	1,099	594	246	1,654	14,052	23,988	1,379	8,526	285,777	5,538	5,538	291,317
Total salaries and related expenses	4,352	-	1,344	-	72,876	103,088	12,039	79,632	1,478,429	34,026	34,026	1,512,455
Consultants	3	2		37	104	76	227	95	16,751	68	68	16,819
Advertising			240		-	38,543			79,595		-	79,595
Bank Service Charges				23	28	21	2	94	483	365	365	848
Supplies	116	29	11	1,265	2,374	2,722	494	2,336	40,759	1,107	1,107	41,866
Volunteer Expense						21,405			21,405		-	21,405
Insurance	23	10	3	536	1,377	1,025	191	1,248	20,519	685	685	21,204
Telephone	16	3		379	2,173	786	203	982	20,433	369	369	20,802
Travel				166	137	5,073	21	445	16,887	336	336	17,223
Training	8	7	1	19	259	347	68	130	11,507	3,704	3,704	15,211
Dues and Subscriptions	15	5		714	523	450	68	487	9,037	1,724	1,724	10,761
Rent Expense	54	28	11		133	133	2,007	59	42,257	450	450	42,707
Postage	15	7	1	370	774	541	165	660	11,323	272	272	11,595
Meeting				3	11		1	10	234	4,703	4,703	4,937
Professional Fees	43	22	11	823	3,134	1,358		3,433	30,542	449	449	30,991
Program Materials	1	1		446	5,638	3,398	4	19	75,725	2,058	2,058	77,783
Miscellaneous									-			
Payroll Service	11			100	230	182	33	217	3,509	123	123	3,632
Utilities	13	6		222	801	533	167	665	15,632	374	374	16,006
Facility Expense	34	20	4	2,170	3,462	2,365	652	3,111	55,225	1,310	1,310	56,535
Total expenses before depreciation	4,704	-	1,626	7,273	94,034	182,046	16,342	93,623	1,950,252	59,884	59,884	2,010,136
Depreciation	16	7	3	370	960	723	190	905	13,818	22,120	22,120	35,938
Total Expenses	4,720	-	1,629	7,643	94,994	182,769	16,532	94,528	1,964,070	82,004	82,004	2,046,074

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

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (65,043)	189,789
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Depreciation	40,123	35,938
Interest reinvested in investments	(2,882)	(2,315)
(Increase) in accounts receivable	(4,474)	(111,291)
(Increase) in employee advances	196	(87)
(Increase)/Decrease in prepaid expenses	20,841	(25,578)
(Increase)/Decrease in other assets	12,839	(12,100)
(Increase) in security deposits	-	(3,000)
(Decrease) in accounts payable	(11,155)	(30,558)
Increase/(Decrease) in accrued payroll expenses	(41,192)	16,827
(Decrease)/Increase in deferred revenue	6,394	(12,509)
Increase in grant advances	202,567	147,459
Increase in other current liabilities	20,106	4,174
Net cash provided by operating activities	<u>178,320</u>	<u>196,749</u>
Cash flow from investing activities:		
Purchase of Certificate of Deposit	-	(119,999)
Redemption of Certificate of Deposit	-	111,576
Purchase of depreciable assets	(49,824)	(11,952)
Net cash (used in) investing activities	<u>(49,824)</u>	<u>(20,375)</u>
Net increase in cash and cash equivalents	128,496	176,374
Cash and cash equivalents at beginning of year	610,476	434,102
Cash and cash equivalents at end of year	<u>\$ 738,972</u>	<u>\$ 610,476</u>
Supplemental Information		
Interest paid	<u>\$ -</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 Council 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 Southwest Council 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 Southwest Council 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.

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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 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, 2018. The Agency is generally no longer subject to examination by the New Jersey Attorney General for years before January 1, 2017.

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. Upon final determination by the grantor, any excess revenue that was not deemed necessary for the program will be returned.

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 2020, \$0 was paid for real estate taxes and \$0 was paid for interest. In 2019, \$0 was paid for real estate taxes and \$0 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, 2020 and 2019.

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

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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 2020 and 2019, 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

During the year, the Agency adopted the provisions of FASB ASU 2018-13, Fair Value Measurement (Topic 820) Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. Adoption of this pronouncement had no effect on the Agency's current or previously issued financial statements.

As of January 1, 2019, the Agency adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the years ending December 31, 2019 and 2018 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

In 2019, the Agency adopted the provisions of FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as

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a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending December 31, 2020 are presented under FASB ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

In 2019, the Agency adopted the provisions of FASB ASU 2016-18, Statement of Cash Flows (Topic 230). This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The Agency has applied the provisions of ASU 2016-18 to retrospectively to all periods presented with no effect on net assets or previously issued financial statements.

Effective for the Agency in 2019, FASB ASU 2016-01, Financial Instruments – Overall Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825-10) allows an NFP to choose, on an investment-by-investment basis, to report an equity investment without a readily determinable fair value, that does not qualify for the practical expedient fair value in accordance with FASB ASC 820-10-35-59, at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issue. The FASB ASU requires additional disclosures about those investments. Adoption of this accounting pronouncement had no effect on the Agency's 2019 and 2020 financial statements.

Recent Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update No. 2020-07, "Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets". The standard which is effective for years beginning after June 15, 2021 could have an effect on the Agency's financial reporting.

In June 2020, the Financial Accounting Standards Board issued Accounting Standards Update No. 2020-05, "Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)". The standard which is effective for years beginning after December 15, 2021 could 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, 2021 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, 2021 will not have an effect on the Agency's financial reporting.

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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. 2018-12, "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, 2021 will 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 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.

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02, "Leases (Topic 842)". The standard which is effective for years beginning after December 15, 2021 will have an effect on the organization'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

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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.

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.

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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 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.

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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.

Alternative Approaches to Pain Management for Older Adults: AAPMOA - Provide a comprehensive outreach and educational program in Cumberland, Gloucester and Salem Counties specifically focused on providing older adults (age 60+) with practical information regarding (1) the appropriate use of non-opioid analgesic pain medication; and (2) non-pharmacological approaches to dealing with acute and chronic pain. The Agency shall utilize a two-prong approach in Cumberland, Salem, and Gloucester counties: (1) the facilitation of the evidence-based Wellness Initiative for Senior Education (WISE) program; and (2) raising community awareness through material/literature distribution, community seminars, presentations and health fairs.

Opioid Abuse Prevention for Young Athletes - Implement initiatives to reduce opioid use among young athletes. Address the risks of prescribing opioid analgesics to young athletes for sports-related injuries through the use of evidence-based educational curriculum and approaches that provide information about the risks of prescription opioid use in adolescents – particularly young athletes.

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NOTE 3: AVAILABILITY AND LIQUIDITY

The following represents the Agency's financial assets at December 31, 2020 and 2019:

Financial assets at year end:	2020	2019
Cash and cash equivalents	\$ 738,972	610,476
Grants and accounts receivable	195,041	190,567
Investments	124,069	121,187
Total financial assets	1,058,082	922,230
Less amounts not available to be used within one year:		
Net assets with donor restrictions	-	-
	-	-
Financial assets available to meet general expenditures over the next twelve months	\$ 1,058,082	922,230

NOTE 4: INVESTMENTS

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

Institution	Fulton Bank CD
Term	25 Months
Maturity	August 23, 2021
Interest Rate	2.35%
Amount	\$124,069

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, 2020 and 2019.

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.

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NOTE 6: FIXED ASSETS

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

	<u>2020</u>	<u>2019</u>
Land	\$ 180,300	180,300
Buildings	542,319	494,494
Furniture, Fixtures & Equipment	190,761	191,859
Vehicles	135,919	135,919
	<u>1,049,299</u>	<u>1,002,572</u>
Less: Accumulated Depreciation	<u>(484,621)</u>	<u>(447,595)</u>
Net Property and Equipment	<u>\$ 564,678</u>	<u>554,977</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: GRANTS AND ACCOUNTS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
Grants Receivable	\$ 177,541	129,806
Accounts Receivable	17,500	60,761
Total Grants and Accounts Receivable	<u>\$ 195,041</u>	<u>190,567</u>

NOTE 9: DONATED SERVICES

During 2020 and 2019 the agency received donated services from the Cumberland County Healthy Communities Coalition in the amount of \$3,184 and \$21,405, respectively. Revenues for donated services are recorded as contributions and expenses are recorded as volunteer expense.

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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 \$31,235 and \$11,129 for years ended December 31, 2020 and 2019, respectively.

NOTE 11: PAYROLL TAXES

As of December 31, 2020 and 2019, 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, 2020 and 2019 were \$17,834 and \$14,934 and covered salaries were \$594,464 and \$533,844, respectively.

NOTE 13: CONCENTRATION OF RISK

As of December 31, 2020 and 2019, the Agency had cash equivalents at financial institutions and in money market funds, which exceeded federal insured limits by \$634,724 and \$500,249, 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.

Effective November 1, 2019 the Agency entered into a lease agreement to rent the basement office space in Mantua, NJ. This lease begins November 1, 2019 and ends January 31, 2023 with monthly rent payments of \$400.

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Effective November 1, 2019 the Agency entered into a lease agreement to rent the office space in Salem, NJ. This is a three year lease beginning November 1, 2019 and ending January 31, 2023 with monthly rent payments of \$2,400 in year one, \$2,460 in year two and \$2,516 in year three.

Future minimum payments under the lease as of December 31, 2020 are:

2021	\$	73,995
2022		69,524
2023		3,697
		<hr/>
	\$	147,216
		<hr/>

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 2020 and \$0 for 2019.

NOTE 16: 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, 2020 and 2019 the amount due back to grantors is \$798,218 and \$5952,651, respectively.

Detail of liability is as follows:

<u>Contract</u>	<u>Contractual Liability</u>
20-896	\$ 12,595
20-815	152,882
20-752	95,565
19-752	80,416
19-815	67,043
18-815	13,071
17-752	183,498
16-752	192,687
14-815	461
Total Due as of December 31, 2020	<hr/> <hr/> \$ 798,218

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NOTE 17: NET ASSETS

Net assets without donor restrictions for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 676,042	741,085
Board Designated	<u>93,630</u>	<u>93,630</u>
Total Net Assets Without Donor Restrictions	<u>\$ 769,672</u>	<u>834,715</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, 2020, the amount of designated net assets was \$93,630.

NOTE 18: RECLASSIFICATION OF PRIOR BALANCES

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

NOTE 19: SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through July 23, 2021, the date which the financial statements were available to be issued.

On February 12, 2021, the Agency received loan proceeds in the amount of \$303,911 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying organizations in amounts up to 2.5 times the organization's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. the Council intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

SUPPLEMENTARY INFORMATION

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FORD - SCOTT

& ASSOCIATES, L.L.C.

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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, 2020, 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 July 23, 2021.

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

July 23, 2021



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2020. 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 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, 2020.

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**

July 23, 2021

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

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	B08T1010036	1/1/20-12/31/20	\$ 202,000	\$ 202,000	202,000			202,000		202,000
Utilize Environmental Strategies to Achieve Population Level Change for Gloucester County	93.959	B08T1010036	1/1/20-12/31/20	\$ 195,542	195,542	195,542			195,542		195,542
Illegal Substance Cumberland County	93.959	B08T1010036	1/1/20-12/31/20	\$ 118,400	117,467	117,467			117,467		117,467
Underage Drinking Cumberland County	93.959	B08T1010036	1/1/20-12/31/20	\$ 100,000	96,278	96,278			96,278		96,278
Illegal Substance Gloucester County	93.959	B08T1010036	1/1/20-12/31/20	\$ 130,000	125,023	125,023			125,023		125,023
Underage Drinking Gloucester County	93.959	B08T1010036	1/1/20-12/31/20	\$ 78,000	72,808	72,808			72,808		72,808
Illegal Substances Salem County	93.959	B08T1010036	1/1/20-12/31/20	\$ 59,000	54,009	54,009			54,009		54,009
Underage Drinking Salem County	93.959	B08T1010036	1/1/20-12/31/20	\$ 57,000	55,993	55,993			55,993		55,993
Opiod Overdose Recovery Salem County	93.959	B08T1010036	1/1/20-9/30/20	\$ 191,813	191,394	191,394			191,394		191,394
Opiod Overdose Recovery Salem County Expansion	93.959	B08T1010036	1/1/20-6/30/20	\$ 260,224	185,942	185,942			185,942		185,942
Opiod Overdose Recovery Salem County	93.959	B08T1010036	10/1/20-12/31/20	\$ 255,750	92,077	92,077			92,077		92,077
Total Division of Mental Health and Addiction Services					1,388,533	1,388,533		-	1,388,533	-	1,388,533
Strategic Prevention Framework Partnerships for Success	93.243	H78SP023017	10/1/19-9/30/20	\$ 211,500	75,589	75,589			75,589		131,758
Strategic Prevention Framework Partnerships for Success	93.243	H78SP023017	10/1/20-9/30/21	\$ 211,500	25,671	25,671			25,671		25,671
Total Strategic Prevention Framework Partnerships for Success					101,260	101,260		-	101,260	-	157,429
Opiod Community Education - Young Athletes	93.243	H78SP023017	10/1/19-9/30/20	\$ 37,620	15,295	15,295			15,295		21,889
Opiod Community Education - Young Athletes	93.243	H78SP023017	10/1/20-9/30/21	\$ 34,485	8,867	8,867			8,867		8,867
Total Opiod Community Education - Young Athletes					24,162	24,162		-	24,162	-	30,756
Alternative Approaches to Pain Management - Older Adults	93.243	H78SP023017	10/1/19-9/30/20	\$ 225,000	143,110	143,110			143,110		152,279
Alternative Approaches to Pain Management - Older Adults	93.243	H78SP023017	10/1/20-9/30/21	\$ 225,000	59,793	59,793			59,793		59,793
Total Alternative Approaches to Pain Management - Older Adults					202,903	202,903		-	202,903	-	212,072
Total NJ Department of Human Services					1,716,858	1,716,858		-	1,716,858	-	1,788,790
<i>Direct Funding</i>											
Cumberland County Healthy Communities Coalition	93.276	SP018001	10/1/19-9/29/20	\$ 250,000	75,071			75,071	75,071		135,733
Total Direct Funding					75,071			75,071	75,071	-	135,733
Total Federal Funds					\$ 1,791,929	1,716,858		75,071	1,791,929	-	1,924,523

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
NOTES TO THE SCHEDULE OF FEDERAL AWARDS
DECEMBER 31, 2020

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:

		<u>Amount</u>
Federal	\$	<u>1,791,929</u>
Total	\$	<u>1,791,929</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

THE SOUTHWEST COUNCIL INC.
(a nonprofit corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020

(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, 2020

STATUS OF PRIOR YEAR FINDINGS

NONE

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF COSTS
YEAR ENDED DECEMBER 31, 2020

Cumberland and Salem County Regional Coalition
January 1, 2020 - December 31, 2020

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries & Fringe	\$ 131,663	141,673	141,673	-
Consultant & Professional	383	-	-	-
Materials & Supplies	4,825	5,002	5,002	-
Specific Assistance to Clients	1,750	647	647	-
Other Costs	33,454	23,191	23,191	-
Facility Costs	12,001	9,717	9,717	-
General and Admin Allocation	17,924	21,770	21,770	-
Equipment				-
	<u>\$ 202,000</u>	<u>202,000</u>	<u>202,000</u>	<u>-</u>

Gloucester County Regional Coalition
January 1, 2020 - December 31, 2020

Category	Final Budget	Expenditure Report Results	Current Year CPA Audited Results	Variance
Salaries & Fringe	\$ 136,460	121,620	121,620	-
Consultant & Professional	383	-	-	-
Materials & Supplies	8,706	4,291	4,291	-
Specific Assistance to Clients	1,750	342	342	-
Other Costs	22,308	32,900	32,900	-
Facility Costs	11,716	17,726	17,726	-
General and Admin Allocation	14,677	18,663	18,663	-
Equipment				-
	<u>\$ 196,000</u>	<u>195,542</u>	<u>195,542</u>	<u>-</u>

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF COSTS
YEAR ENDED DECEMBER 31, 2020

Illegal Substance
Cumberland County
January 1, 2020 - December 31, 2020

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries	\$ 81,590	91,496	91,496	-
Consultant & Professional	192	-	-	-
Materials & Supplies	6,047	1,847	1,847	-
Specific Assistance to Clients	1,475	250	250	-
Other Costs	7,847	3,901	3,901	-
Facility Costs	9,673	6,836	6,836	-
General and Admin Allocation	11,576	13,137	13,137	-
Equipment				-
Total Expenditures	118,400	117,467	117,467	-
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	\$ 118,400	117,467	117,467	-

Underage Drinking
Cumberland County
January 1, 2020 - December 31, 2020

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries	\$ 72,251	74,161	74,161	-
Consultant & Professional	191	-	-	-
Materials & Supplies	3,977	1,512	1,512	-
Specific Assistance to Clients	1,475	-	-	-
Other Costs	4,106	3,515	3,515	-
Facility Costs	8,782	6,094	6,094	-
General and Admin Allocation	9,218	10,996	10,996	-
Equipment				-
Total Expenditures	100,000	96,278	96,278	-
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	\$ 100,000	96,278	96,278	-

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF COSTS
YEAR ENDED DECEMBER 31, 2020

Illegal Substance
Gloucester County
January 1, 2020 - December 31, 2020

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries	\$ 87,696	97,737	97,737	-
Consultant & Professional	192	-	-	-
Materials & Supplies	6,195	3,292	3,292	-
Specific Assistance to Clients	1,475	342	342	-
Other Costs	6,953	3,990	3,990	-
Facility Costs	17,930	5,721	5,721	-
General and Admin Allocation	9,559	13,941	13,941	-
Equipment				-
Total Expenditures	130,000	125,023	125,023	-
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	\$ 130,000	125,023	125,023	-

Underage Drinking
Gloucester County
January 1, 2020 - December 31, 2020

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries	\$ 43,850	54,513	54,513	-
Consultant & Professional	192	-	-	-
Materials & Supplies	3,481	1,878	1,878	-
Specific Assistance to Clients	1,475	342	342	-
Other Costs	6,567	2,230	2,230	-
Facility Costs	17,788	5,520	5,520	-
General and Admin Allocation	4,647	8,325	8,325	-
Equipment				-
Total Expenditures	78,000	72,808	72,808	-
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	\$ 78,000	72,808	72,808	-

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF COSTS
YEAR ENDED DECEMBER 31, 2020

Illegal Substance
Salem County
January 1, 2020 - December 31, 2020

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries	\$ 38,509	40,803	40,803	-
Consultant & Professional	192	-	-	-
Materials & Supplies	1,295	1,242	1,242	-
Specific Assistance to Clients	1,400	342	342	-
Other Costs	6,188	1,465	1,465	-
Facility Costs	5,385	4,233	4,233	-
General and Admin Allocation	6,031	5,924	5,924	-
Equipment				-
Total Expenditures	59,000	54,009	54,009	-
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	\$ 59,000	54,009	54,009	-

Illegal Substance
Underage Drinking
Salem County
January 1, 2020 - December 31, 2020

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries	\$ 39,929	40,964	40,964	-
Consultant & Professional	192	-	-	-
Materials & Supplies	1,395	1,700	1,700	-
Specific Assistance to Clients	1,475	342	342	-
Other Costs	2,287	1,822	1,822	-
Facility Costs	6,297	5,198	5,198	-
General and Admin Allocation	5,425	5,967	5,967	-
Equipment				-
Total Expenditures	57,000	55,993	55,993	-
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	\$ 57,000	55,993	55,993	-

See accompanying auditor's report.

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF COSTS
YEAR ENDED DECEMBER 31, 2020

Opioid Overdose Recovery
Salem County
January 1, 2020 - September 30, 2020

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries	\$ 142,587	117,794	117,794	-
Consultant & Professional	-	-	-	-
Materials & Supplies	2,339	10,020	10,020	-
Specific Assistance to Clients	-	300	300	-
Other Costs	12,221	13,956	13,956	-
Facility Costs	13,884	24,773	24,773	-
General and Admin Allocation	20,782	24,551	24,551	-
Equipment				-
Total Expenditures	191,813	191,394	191,394	-
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	<u>\$ 191,813</u>	<u>191,394</u>	<u>191,394</u>	<u>-</u>

Opioid Overdose Recovery Expansion
Salem County
Cumberland, Gloucester and Salem Counties
January 1, 2020 - June 30, 2020

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries	\$ 140,587	140,587	140,587	-
Consultant & Professional	-			-
Materials & Supplies	23	10,694	10,694	-
Specific Assistance to Clients	84,248	149	149	-
Other Costs	4,353	6,019	6,019	-
Facility Costs	20,118	17,150	17,150	-
General and Admin Allocation	10,895	11,343	11,343	-
Equipment				-
Total Expenditures	260,224	185,942	185,942	-
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	<u>\$ 260,224</u>	<u>185,942</u>	<u>185,942</u>	<u>-</u>

See accompanying auditor's report.

THE SOUTHWEST COUNCIL, INC.
(a nonprofit corporation)
STATEMENT OF COSTS
YEAR ENDED DECEMBER 31, 2020

Opioid Overdose Recovery
Cumberland, Gloucester and Salem Counties
October 1, 2020 - December 31, 2020

Category	Final Budget	Expenditure Report Results	CPA Audited Results	Variance
Salaries	\$ 194,559	64,818	64,818	-
Consultant & Professional	-	-	-	-
Materials & Supplies	2,339	1,842	1,842	-
Specific Assistance to Clients	-	-	-	-
Other Costs	13,019	6,181	6,181	-
Facility Costs	26,230	10,344	10,344	-
General and Admin Allocation	19,603	8,892	8,892	-
Equipment				
Total Expenditures	255,750	92,077	92,077	-
Less:				
Program cost funded by other revenue sources				-
Net Expenditures	<u>\$ 255,750</u>	<u>92,077</u>	<u>92,077</u>	<u>-</u>

See accompanying auditor's report.