

Nashville Conflict Resolution Center

Financial Statements
For the Years Ended June 30, 2022 and 2021

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Financial Statements
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Independent Auditor's Report

Board of Directors
Nashville Conflict Resolution Center

Opinion

We have audited the financial statements of Nashville Conflict Resolution Center (the Center), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts, and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
December 20, 2022

Nashville Conflict Resolution Center

Statements of Financial Position

June 30, 2022 and 2021

	2022	2021
Assets		
Cash	\$ 250,595	\$ 262,497
Accounts receivable	135,743	56,297
Prepaid expenses	2,000	4,000
Property and equipment, net	<u>1,992</u>	<u>4,085</u>
Total assets	\$ 390,330	\$ 326,879
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 11,591	\$ 12,770
Accrued expenses	<u>6,725</u>	<u>10,816</u>
Total liabilities	18,316	23,586
Net assets		
Without donor restrictions	292,014	238,293
With donor restrictions	<u>80,000</u>	<u>65,000</u>
Total net assets	<u>372,014</u>	<u>303,293</u>
Total liabilities and net assets	\$ 390,330	\$ 326,879

Nashville Conflict Resolution Center

Statement of Activities For the Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets			
Corporate and individual	\$ 122,873	\$ 80,000	\$ 202,873
Foundation grants	139,500		139,500
Government grants	517,955	-	517,955
Contributions of nonfinancial assets	215,075	-	215,075
Fee income	925	-	925
Interest	233	-	233
Net assets released from restrictions	65,000	(65,000)	-
Total support and revenues	1,061,561	15,000	1,076,561
Expenses			
Program services	841,105	-	841,105
Supporting services			
Management and general	118,846	-	118,846
Fundraising	47,889	-	47,889
Total supporting services	166,735	-	166,735
Total expenses	1,007,840	-	1,007,840
Change in net assets	53,721	15,000	68,721
Net assets, beginning of year	238,293	65,000	303,293
Net assets, end of year	\$ 292,014	\$ 80,000	\$ 372,014

Nashville Conflict Resolution Center

Statement of Activities For the Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets			
Corporate and individual	\$ 119,782	\$ -	\$ 119,782
Foundation grants	134,664	65,000	199,664
Government grants	2,215,375	-	2,215,375
Fundraising	41,149	-	41,149
Contributions of nonfinancial assets	154,700	-	154,700
Fee income	2,273	-	2,273
Interest	391	-	391
Net assets released from restrictions	10,000	(10,000)	-
Total support and revenues	2,678,334	55,000	2,733,334
Expenses			
Program services	2,549,541	-	2,549,541
Supporting services			
Management and general	105,768	-	105,768
Fundraising	74,742	-	74,742
Total supporting services	180,510	-	180,510
Total expenses	2,730,051	-	2,730,051
Change in net assets	(51,717)	55,000	3,283
Net assets, beginning of year	290,010	10,000	300,010
Net assets, end of year	\$ 238,293	\$ 65,000	\$ 303,293

Nashville Conflict Resolution Center

Statement of Functional Expenses

For the Year Ended June 30, 2022

	Program services	Supporting services		Total
		Management and general	Fundraising	
Compensation, benefits, and taxes	\$ 570,856	\$ 58,800	\$ 41,922	\$ 671,578
Payroll processing fee	-	3,289	-	3,289
Mediation services	186,200	-	-	186,200
Communications technology	14,262	6,887	-	21,149
Computer software and maintenance	21,900	-	-	21,900
Court filing fees	17,939	-	-	17,939
Depreciation	-	2,093	-	2,093
Dues and memberships	916	2,000	-	2,916
Facility maintenance	1,240	1,239	-	2,479
Insurance	2,700	3,586	-	6,286
Occupancy	10,545	10,540	-	21,085
Office equipment	1,903	637	-	2,540
Office supplies	1,007	44	-	1,051
Postage	-	462	50	512
Printing	8,750	40	181	8,971
Professional fees	2,316	28,740	4,725	35,781
Bank and credit card fees	17	40	1,011	1,068
Other	554	449	-	1,003
	\$ 841,105	\$ 118,846	\$ 47,889	\$ 1,007,840

Nashville Conflict Resolution Center

Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program services	Supporting services		Total
		Management and general	Fundraising	
Rent relief	\$ 1,658,936	\$ -	\$ -	\$ 1,658,936
Compensation, benefits, and taxes	654,938	61,095	69,205	785,238
Payroll processing fee	-	6,232	-	6,232
Mediation services	130,200	-	-	130,200
Communications technology	11,976	9,699	-	21,675
Computer software and maintenance	28,428	-	-	28,428
Depreciation	-	3,458	-	3,458
Dues and memberships	949	1,602	-	2,551
Facility maintenance	1,050	350	-	1,400
Insurance	3,723	3,500	-	7,223
Occupancy	13,674	6,458	-	20,132
Office equipment	2,529	793	-	3,322
Office supplies	5,370	-	-	5,370
Postage	106	231	1,779	2,116
Printing	261	1,273	1,563	3,097
Professional fees	36,207	9,850	-	46,057
Bank and credit card fees	3	38	2,195	2,236
Other	1,191	1,189	-	2,380
	\$ 2,549,541	\$ 105,768	\$ 74,742	\$ 2,730,051

Nashville Conflict Resolution Center
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash, beginning of year	\$ 262,497	\$ 240,958
Cash flows from operating activities		
Change in net assets	68,721	3,283
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,093	3,458
Change in:		
Accounts receivable	(79,446)	21,305
Prepaid expenses	2,000	(4,000)
Accounts payable	(1,179)	6,733
Accrued expenses	<u>(4,091)</u>	<u>(3,379)</u>
Net cash provided (used) by operating activities	(11,902)	27,400
Cash flows from investing activities		
Purchases of property and equipment	-	(5,861)
Net change in cash	<u>(11,902)</u>	<u>21,539</u>
Cash, end of year	\$ 250,595	\$ 262,497

Nashville Conflict Resolution Center
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1. Organization and Nature of Activities

Nashville Conflict Resolution Center (the Center) is a Tennessee not-for-profit corporation that seeks to improve the lives of Nashville residents, particularly those in underserved communities or otherwise disadvantaged in the judicial system, by providing pro-bono or low-cost mediation services and by teaching effective, non-violent conflict resolution skills. The Center's support consists primarily of funds received from government grants and foundations.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Center have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which requires the Center to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of the Center's management and 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 the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

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

Income Taxes

The Center is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the tax laws of the state of Tennessee.

Property and Equipment

The Center follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$500. Donations of furniture and equipment are recorded as revenues at their estimated fair value. Such donations are reported as revenues without donor restrictions unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful lives of three to ten years and is computed on the straight-line method.

Nashville Conflict Resolution Center
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 2. Summary of Significant Accounting Policies

Contributions of Cash and Other Financial Assets

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

Contributions of Nonfinancial Assets

Various volunteers donate many hours to the Center's program services and fundraising campaigns. These contributed services are reflected in the financial statements only when the services require specialized skills. Materials, prizes, rent, and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of the receipt.

Revenue Recognition

Government grants are considered conditional contributions and, accordingly, such contributions are recognized in the period in which the Center incurs and bills for the associated reimbursable costs. Program fees revenues are recognized and generally collected at the time the educational and awareness services are provided to the individuals or families.

Software Development Costs

Prior to the Covid-19 pandemic, the Center had begun a software development project to better meet the needs for on-line modalities of mediation services. During 2022, the Center and its funding donor determined that technology now exists that made the project unnecessary. Accordingly, the Center abandoned the project. Costs incurred related to the preliminary stages of development and were expensed as incurred. During 2021 the development cost that were expensed totaled \$32,606. The donor then directed the remaining planned grant funding to assist in mediation services for users in remote and rural areas.

Functional Expenses

The cost of providing various program services and supporting activities of the Center has been summarized on a functional basis. Accordingly, certain expenses have been allocated among program services, management and general, and fundraising expenses. Expenses requiring allocation on the statements of functional expenses are allocated based on management's estimate of time and effort spent.

Nashville Conflict Resolution Center
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 2. Summary of Significant Accounting Policies

Recently Issued Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was retroactively adopted by the Center on July 1, 2021.

Reclassifications

Certain reclassifications have been made to the 2021 financial statement presentation to correspond to the current year's format. The total net assets and change in net assets are unchanged due to these reclassifications.

Note 3. Availability and Liquidity

The following represents the Center's financial assets:

	2022	2021
Financial assets		
Cash	\$ 250,595	\$ 262,497
Accounts receivable	<u>135,743</u>	<u>56,297</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 386,338	\$ 318,794

As part of its liquidity plan, the Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Center receives year-round donations from contributors and grantors. Cash flow is tracked through regular budget to actual comparisons which are monitored by management and the board of directors.

Note 4. Concentrations

The Center has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$13,000 at June 30, 2021. The Center maintains its cash with a high quality financial institution which the Center believes limits these risks.

Of the Center's total revenues and support for 2022, approximately 48% represents funds received from five government contracts of which one contract totals 30%. One corporate contribution totaled 12%. Foundation contributions totaled 13% with no individual contribution greater than 10%. Nonfinancial contributions totaled 20%.

Of the Center's total revenues and support for 2021, approximately 81% represents funds received from seven government contracts of which three contracts total 76%.

Note 5. Accounts Receivable

Accounts receivable consist primarily of amounts due from reimbursement grants from the federal and state governments. Accounts receivable are considered current since they are expected to be collected within one year. No allowance for uncollectible receivables was deemed necessary as of June 30, 2022 and 2021.

Nashville Conflict Resolution Center
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 6. Property and Equipment

Property and equipment consist of the following:

	2022	2021
Equipment	\$ 10,348	\$ 17,054
Furniture	-	3,079
Leasehold improvements	<u>-</u>	<u>1,370</u>
	10,348	21,503
Less: accumulated depreciation	<u>(8,356)</u>	<u>(17,418)</u>
Property and equipment, net	\$ 1,992	\$ 4,085

Depreciation expense was \$2,093 and \$3,458 for the years ended June 30, 2022 and 2021, respectively.

Note 7. Contributions of Nonfinancial Assets

The following contributions of nonfinancial assets have been included in revenues and expenses without donor restrictions in the financial statements:

	2022	2021
Volunteer mediation services	\$ 186,200	\$ 130,200
Legal services	6,975	-
Software subscription	<u>21,900</u>	<u>24,500</u>
	\$ 215,075	\$ 154,700

Much of the Center's mediation services and education are provided by volunteers that have undergone extensive mediation training that meets or exceeds the training standards set by the Tennessee Supreme Court's Rule 31. The Center reflects these services on the statements of activities since these volunteers provide specialized, professional services. Amounts reports are calculated using published estimates of hourly rates multiplied by the number of hours the services were provided.

Legal services relate to consultations over certain legal matters and are based on estimated billing rates provided by the donor.

Software subscription costs are based on published license rates multiplied by the number of licenses provided by the vendor.

Nashville Conflict Resolution Center
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 8. Leasing and Arrangements

The Center had a month-to-month lease with Southminster Presbyterian Church for the main floor of a house that the Center uses for administrative offices and mediation meeting space. The Center made payments totaling \$16,800 for the years ended June 30, 2022 and 2021, respectively. During 2022, the Center moved to a work-from-home arrangement for all of its employees. Subsequent to year end, the Center entered into a short-term lease with Film House, Inc. for \$1,000 per month for flexible space that can be used for mediation sessions.

Note 9. Net Assets

The net assets with donor restrictions at June 30, 2022 and 2021 are attributable to time-restricted grants and contributions for the following fiscal year's programming.

Note 10. Rent Relief

During the year ended June 30, 2021, the Center received \$1,715,186 of federal COVID relief funding that was used primarily for rent relief for eligible program participants as presented on the accompanying statement of functional expenses.

Note 11. Subsequent Events

Management has evaluated subsequent events through December 20, 2022, the date on which the financial statements were available for issuance.