# NURTURE THE NEXT
## (FORMERLY, PREVENT CHILD ABUSE TENNESSEE)

**Financial Statements and Supplementary Information**

**June 30, 2021 and 2020**

**(With Independent Auditors' Report Thereon)**

LBMC MAKE A GOOD BUSINESS BETTER

**NURTURE THE NEXT**

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LBMC MAKE A GOOD BUSINESS BETTER

## INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Nurture The Next:

**Report on the Financial Statements**

We have audited the accompanying financial statements of Nurture The Next (the "Organization") (formerly, Prevent Child Abuse Tennessee), a Tennessee corporation, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, 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 misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' 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 Nurture The Next as of June 30, 2021 and 2020, 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.

*Other Matters*

*Other Information*

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

The Schedule of Board Members and Management, as required by the Tennessee Audit Manual issued by the State of Tennessee Comptroller of the Treasury, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on that information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021, on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control over financial reporting and compliance.

LBMC, PC

Brentwood, Tennessee
December 9, 2021

## NURTURE THE NEXT

## Statements of Financial Position

## June 30, 2021 and 2020

### Assets

| | 2021 | 2020 |
|---|---|---|
| **Current assets:** | | |
| Cash and cash equivalents | $ 286,594 | $ 931,737 |
| Cash restricted for fiscal sponsorships | 268,670 | 311,239 |
| Grants receivable | 1,615,836 | 734,303 |
| Other accounts receivable | 1,733 | 44,207 |
| Prepaid expenses and other current assets | 21,054 | 13,936 |
| Total current assets | 2,193,887 | 2,035,422 |
| **Property and equipment, net** | 1,248 | 3,246 |
| Total assets | $ 2,195,135 | $ 2,038,668 |

### Liabilities and Net Assets

| | 2021 | 2020 |
|---|---|---|
| **Current liabilities:** | | |
| Accounts payable | $ 69,014 | $ 108,822 |
| Accrued expenses | 52,930 | 37,384 |
| Accrued wages and benefits | 205,782 | 131,818 |
| Funds held for fiscal sponsorships | 268,670 | 311,239 |
| Total current liabilities | 596,396 | 589,263 |
| **Net assets without donor restrictions** | 1,598,739 | 1,449,405 |
| Total liabilities and net assets | $ 2,195,135 | $ 2,038,668 |

See accompanying notes to the financial statements.

# NURTURE THE NEXT

## Statements of Activities and Changes in Net Assets

### Years ended June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **Changes in net assets without donor restrictions:** | | |
| **Revenues:** | | |
| Grants | $ 4,612,217 | $ 3,864,954 |
| Contributions | 548,302 | 612,868 |
| In-kind contributions | 56,824 | 123,854 |
| Other income | 32,516 | 85,905 |
| Total revenues | 5,249,859 | 4,687,581 |
| **Expenses:** | | |
| Programs | 4,751,341 | 3,985,959 |
| Management and general | 136,510 | 207,300 |
| Fundraising | 212,674 | 205,852 |
| Total expenses | 5,100,525 | 4,399,111 |
| Change in net assets without donor restrictions | 149,334 | 288,470 |
| Net assets at beginning of year | 1,449,405 | 1,160,935 |
| Net assets at end of year | $ 1,598,739 | $ 1,449,405 |

See accompanying notes to the financial statements.

# NURTURE THE NEXT

## Statement of Functional Expenses

## Year ended June 30, 2021

| | Parent Leadership | Healthy Start / Healthy Families | Nurturing Parents | VOCA | Stewards of Children | Building Strong Brains | Other Programs | Total Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Salaries | $ 109,777 | $ 2,158,118 | $ 124,407 | $ 380,155 | $ 47,138 | $ - | $ 674 | $ 2,820,269 | $ 65,528 | $ 133,005 | $ 3,018,802 |
| Fringe benefits | 23,189 | 558,161 | 28,830 | 69,097 | 11,038 | - | 158 | 690,473 | 11,321 | 25,908 | 727,702 |
| Professional fees | 4,162 | 229,877 | 6,518 | 77,625 | 3,207 | - | 21 | 321,410 | 43,616 | 8,055 | 373,081 |
| Supplies | 4,616 | 239,261 | 1,901 | 3,613 | 6,260 | - | 1,206 | 256,857 | 5,883 | 5,672 | 268,412 |
| Telephone | 2,150 | 61,762 | 3,072 | 20,244 | 1,057 | - | 87 | 88,372 | 2,584 | 1,604 | 92,560 |
| Postage | 43 | 2,893 | 76 | 460 | 24 | - | 1 | 3,497 | 51 | 2,704 | 6,252 |
| Rent | 4,800 | 118,557 | 5,796 | 1,382 | 3,252 | - | 157 | 133,944 | 1,972 | 4,695 | 140,611 |
| Equipment and maintenance | - | - | - | - | - | - | - | - | - | - | - |
| Printing | 56 | 2,471 | 103 | 21 | 36 | - | 33,001 | 35,688 | 72 | 3,511 | 39,271 |
| Travel and conferences | 816 | 92,693 | 673 | 1,773 | 1,207 | - | 2,058 | 99,220 | 1,237 | 1,714 | 102,171 |
| Insurance | 407 | 12,354 | 610 | 2,637 | 333 | - | 7 | 16,348 | 217 | 494 | 17,059 |
| Technology | 4,003 | 184,461 | 7,860 | 12,497 | 2,999 | - | 61 | 211,881 | 1,240 | 4,091 | 217,212 |
| Parent stipends | 6,925 | 9,800 | 9,000 | - | - | - | - | 25,725 | - | - | 25,725 |
| Depreciation | - | - | - | - | - | - | - | - | 1,998 | - | 1,998 |
| Bad debt | - | - | - | - | - | - | - | - | - | 2,000 | 2,000 |
| Other | 1,185 | 44,176 | 529 | 1,506 | 255 | - | 6 | 47,657 | 791 | 19,221 | 67,669 |
| Total expenses | $ 162,129 | $ 3,714,584 | $ 189,375 | $ 571,010 | $ 76,806 | $ - | $ 37,437 | $ 4,751,341 | $ 136,510 | $ 212,674 | $ 5,100,525 |

See accompanying notes to the financial statements.

# NURTURE THE NEXT

## Statement of Functional Expenses

## Year ended June 30, 2020

| | Parent Leadership | Healthy Start / Healthy Families | Nurturing Parents | VOCA | Stewards of Children | Building Strong Brains | Other Programs | Total Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Salaries | $ 82,181 | $ 1,617,273 | $ 113,088 | $ 367,901 | $ 42,616 | $ 24,431 | $ 16,412 | $ 2,263,902 | $ 95,274 | $ 102,583 | $ 2,461,759 |
| Fringe benefits | 19,466 | 483,701 | 35,447 | 58,489 | 14,429 | 4,978 | 3,271 | 619,781 | 15,292 | 22,051 | 657,124 |
| Professional fees | 7,451 | 233,469 | 9,514 | 23,440 | 3,405 | 33,760 | 1,152 | 312,191 | 19,224 | 7,411 | 338,826 |
| Supplies | 18,822 | 158,181 | 1,430 | 20,046 | 7,531 | 62 | 138 | 206,210 | 2,110 | 5,088 | 213,408 |
| Telephone | 2,523 | 38,617 | 3,182 | 12,515 | 1,198 | 437 | 355 | 58,827 | 3,605 | 2,483 | 64,915 |
| Postage | 76 | 1,888 | 101 | 285 | 60 | 11 | 17 | 2,438 | 187 | 2,776 | 5,401 |
| Rent | 5,836 | 97,268 | 8,881 | 6,472 | 3,311 | 1,088 | 1,725 | 124,581 | 1,651 | 5,469 | 131,701 |
| Equipment and maintenance | 4 | 538 | - | - | 32 | - | - | 574 | 9 | 18 | 601 |
| Printing | 1,110 | 11,322 | 469 | 1,475 | 348 | 401 | 59 | 15,184 | 128 | 2,611 | 17,923 |
| Travel and conferences | 2,685 | 94,789 | 4,676 | 8,882 | 1,797 | 97 | 129 | 113,055 | 4,331 | 2,498 | 119,884 |
| Insurance | 380 | 9,645 | 1,017 | 2,003 | 378 | 17 | 16 | 13,456 | 121 | 391 | 13,968 |
| Technology | 3,288 | 103,714 | 8,003 | 41,478 | 2,539 | 2,094 | 1,052 | 162,168 | 1,251 | 2,581 | 166,000 |
| Parent stipends | 5,920 | - | 9,000 | - | - | - | - | 14,920 | - | - | 14,920 |
| Depreciation | - | - | - | - | - | - | - | - | 1,998 | - | 1,998 |
| Bad debt | - | - | - | - | - | - | - | - | 715 | - | 715 |
| Other | 9,674 | 51,881 | 1,561 | 1,069 | 367 | 14,023 | 97 | 78,672 | 61,404 | 49,892 | 189,968 |
| Total expenses | $ 159,416 | $ 2,902,286 | $ 196,369 | $ 544,055 | $ 78,011 | $ 81,399 | $ 24,423 | $ 3,985,959 | $ 207,300 | $ 205,852 | $ 4,399,111 |

See accompanying notes to the financial statements.

# NURTURE THE NEXT

## Statements of Cash Flows

### Years ended June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ 149,334 | $ 288,470 |
| Adjustments to reconcile change in net assets to net cash and cash equivalents provided (used) by operating activities: | | |
| Depreciation expense | 1,998 | 1,998 |
| Bad debt expense | 2,000 | 715 |
| Decrease (increase) in operating assets: | | |
| Grants receivable | (883,533) | (255,626) |
| Other accounts receivable | 42,474 | 19,991 |
| Prepaid expenses and other current assets | (7,118) | (4,837) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | (39,808) | 11,020 |
| Accrued expenses | 15,546 | (1,209) |
| Accrued wages and benefits | 73,964 | 131,818 |
| Fiscal sponsorship liability | (42,569) | 311,239 |
| Total adjustments | (837,046) | 215,109 |
| Net cash provided (used) by operating activities | (687,712) | 503,579 |
| Cash, cash equivalents and restricted cash at beginning of year | 1,242,976 | 739,397 |
| Cash, cash equivalents and restricted cash at end of year | $ 555,264 | $ 1,242,976 |

**Supplemental cash and non-cash disclosures of cash flow statement information**

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same shown above:

| | 2021 | 2020 |
|---|---|---|
| Cash and cash equivalents | $ 286,594 | $ 931,737 |
| Cash restricted for fiscal sponsorships | 268,670 | 311,239 |
| | $ 555,264 | $ 1,242,976 |

See accompanying notes to the financial statements.

(1) Nature of activities

Nurture The Next (the "Organization") is a not-for-profit organization located in Nashville, Tennessee. The Organization provides services aimed at preventing the occurrence or continuation of child abuse. These services consist of parent support groups, a statewide toll-free parent helpline and domestic violence hotline, and pairing of trained volunteers with new families at a high risk for child abuse. All services are available at no charge. Principal funding is provided by federal grants through the U.S. Department of Health and Human Services. Organization operations are conducted by the chief executive officer and staff under the guidance of the board of directors.

During 2021, the Organization changed its name from Prevent Child Abuse Tennessee to Nurture the Next.

(2) Summary of significant accounting policies

The financial statements of the Organization are presented on the accrual basis. The significant accounting policies followed are described below.

(a) Recently adopted accounting standard

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("Topic 606"). The guidance eliminates the transaction and industry-specific revenue recognition guidance under current generally accepted accounting principles ("GAAP") and replaces it with a principles-based approach. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of ASU 2014-09 did not have a significant impact on the Organization's financial statements.

(b) Cash and cash equivalents

The Organization considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

(c) Receivables and credit policies

Substantially all receivables are from grantors. The carrying amount of receivables is reduced by a valuation allowance, if necessary, which reflects management's best estimate of the amounts that will not be collected. The allowance is estimated based on management's knowledge of its grantors and customers, historical loss experience and existing economic conditions. Late or interest charges on delinquent accounts are not recorded until collected. Accounts receivable are written-off when, in management's opinion, all collection efforts have been exhausted. As of June 30, 2021 and 2020, no valuation allowance was deemed necessary by management.

(d) Property and equipment

Property and equipment is stated at cost, net of depreciation. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Equipment is generally depreciated over a period between five to seven years. The Organization's policy is to capitalize property and equipment expenditures over $1,000 with useful lives of one year or more.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in the change in net assets without donor restrictions.

(e) Income taxes

The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code ("IRC") Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements. The Organization does not believe there are any uncertain tax positions and, accordingly it has not recognized any asset or liability for unrecognized tax benefits.

As of June 30, 2021 and 2020, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization’s policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Organization files a U.S. Federal information tax return. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**(f) Net assets**

**Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:**

> **Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor-imposed restrictions.**
>
> **Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when restrictions expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization has no net assets subject to donor-imposed restrictions at June 30, 2021 or 2020.**

**Contributions received are recorded as without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.**

**(g) Contributions and grant revenue**

**Contributions are recognized when received. Non-cash contributions are recorded at fair market value when received. Donations and grants restricted by the donor, grantor, or other outside parties for particular operating purposes are deemed to be earned and reported as revenues when the Organization has incurred expenditures in compliance with the specific grant restrictions.**

**In-kind contributions are recorded at fair market value when received and represent contributions of supplies or auction items received from donors. Additionally, individuals volunteer their time and perform a variety of tasks that assist the Organization with program services. Certain contributed services, such as those provided by volunteers trained in social work, require specialized skills and would otherwise need to be purchased if not provided by contribution. Accordingly, the Organization recognized in-kind contribution revenue and expense for those contributed goods and services in the amount of $56,824 and $123,854 during the years ended June 30, 2021 and 2020, respectively.**

**(h) Revenue from contracts with customers**

**Revenue from contracts with customers are limited to certain special events, presentation of certain programs or sales of auction items and is recognized when earned, generally when an event or program occurs or auction items are sold.**

**(i) Fiscal agent**

**Beginning in 2020, the Organization began to serve as the fiscal agent for All Children Excel ("ACE") Nashville, a collective impact initiative whose purpose is to prevent and mitigate the lifelong impact of childhood adversity to improve the safety, health and prosperity of the Nashville community. The Organization is the primary organization tasked to develop grant sources for ACE. The Organization does not have variance power over the contributions received for ACE which is governed by representatives from certain participating other non-profit organizations or community leaders. As a result, receipts from grants or other income sources for ACE and the related expenditures are not recorded on the Organization's statement of activities and changes in net assets. The Organization maintains restricted cash and an agency liability related to cash restricted for ACE.**

**(j) Long-lived assets**

**Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.**

**(k) Use of estimates**

**The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.**

**(l) Functional allocation of expenses**

**Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.**

**(m) New accounting standards, not yet adopted**

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 will generally require on-balance sheet recognition for all leases with terms that exceed twelve months. The new lease accounting model will continue to reflect two types of leases. Under the new rules, a lessee would account for most existing capital leases as finance leases (that is, recognizing amortization of the right-of-use ("ROU") asset, as well as separately recognizing interest on the lease liability in the statement of operations). Most existing operating leases will remain as operating leases (that is, recognizing a single total lease expense). Both finance leases and operating leases will result in the lessee recognizing a ROU asset and a lease liability. The guidance was planned to be effective for the Organization beginning July 1, 2020; however, in April 2020, the FASB voted to defer the standard and it is now effective for the Organization beginning July 1, 2022. Management of the Organization is currently evaluating the impact adoption of ASU 2016-02 will have on its financial statements and disclosures.

**(n) Events occurring after reporting date**

The Organization has evaluated events and transactions that occurred between June 30, 2021 and December 9, 2021 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

## (3) Liquidity and availability

The following table reflects the Organization's financial assets as of June 30, 2021 and 2020 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

| | 2021 | 2020 |
|---|---|---|
| Cash and cash equivalents | $ 286,594 | $ 931,737 |
| Cash restricted for fiscal sponsorships | 268,670 | 311,239 |
| Grants receivable | 1,615,836 | 734,303 |
| Other accounts receivable | 1,733 | 44,207 |
| Total financial assets at end of year | 2,172,833 | 2,021,486 |
| Less: assets unavailable for general expenditure within one year: | | |
| Cash restricted for fiscal sponsorships | 268,670 | 311,239 |
| Financial assets available to meet cash needs for general expenditures within one year | $ 1,904,163 | $ 1,710,247 |

As part of its liquidity management plan, the Organization invests cash in excess of daily requirements in money market funds and interest bearing accounts and seeks to maintain liquid assets in order to meet its obligations as they become due. Additionally, the Organization has a line of credit available (Note 6) which could provide for operating cash, if needed.

## (4) Credit risk and other concentrations

The Organization periodically maintains cash on deposit at banks in excess of federally insured amounts. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

Grants from the State of Tennessee and agencies of the federal government amounted to approximately 86% and 81%, respectively, of the Organization's revenue for the years ended June 30, 2021 and 2020.

## (5) Property and equipment

Property and equipment at June 30, 2021 and 2020, consist of the following:

| | 2021 | 2020 |
|---|---|---|
| Equipment | $ 7,000 | $ 7,000 |
| Automobile | 4,991 | 4,991 |
| | 11,991 | 11,991 |
| Accumulated depreciation | (10,743) | (8,745) |
| | $ 1,248 | $ 3,246 |

## (6) Lines of credit

The Organization had a line of credit with a bank at June 30, 2019 that provided for maximum borrowings of up to $350,000. The line was unsecured and matured on May 10, 2020 and was not renewed.

During 2021, the Organization entered into a new line of credit with a bank that provides for borrowings of $350,000. The line of credit bears interest at a variable interest rate equal to the U.S. Prime rate plus 1.0% (4.25% at June 30, 2021), payable monthly. All outstanding principle and unpaid interest is due at maturity on February 24, 2022. The Organization had no borrowings outstanding under the line of credit at June 30, 2021.

In August 2021, the Organization amended the terms of the line of credit to increase the available borrowings from $350,000 to $800,000. The available amounts under the line of credit reduce each month between September 2021 and December 2021 until the outstanding available balance returns to $350,000 at December 24, 2021. Additionally, subsequent to the amendment, the Organization drew $350,000 under the line of credit.

## (7) Retirement plan

The Organization sponsors a defined contribution plan pursuant to Section 403(b) of the IRC of 1986, as amended. Under the terms of the plan, each eligible employee may contribute a percentage of wages subject to certain limitations. The Organization may match employee contributions at its discretion. The Organization made contributions in the amount of $28,253 and $24,943 in 2021 and 2020, respectively.

## (8) Lease commitments

The Organization leases office space and equipment under operating leases. Rent expense under these leases amounted to $140,611 and $131,701 in 2021 and 2020, respectively.

A summary of approximate future minimum payments under these leases as of June 30, 2021 is as follows:

| | Amount |
|---|---|
| 2022 | $ 137,000 |
| 2023 | 120,000 |
| 2024 | 111,000 |
| 2025 | 111,000 |
| 2026 | 113,649 |
| 2027 and later years | 294,000 |
| | $ 886,649 |

## (9) Current economic environment

As of the date this report was available to be issued, the United States, as well as many other countries around the world, was experiencing an infectious disease (COVID-19) outbreak, impacting individuals, governments, businesses and financial markets with unprecedented disruption and risk. While it is not possible to predict the impacts of the outbreak on the Organization's financial condition and results of operations, the Organization has not currently experienced significant changes in its operations. Additionally, during 2020, the Organization received a Paycheck Protection Program loan totaling $38,500 for which all conditions for forgiveness had been substantially met. The loan forgiveness was recognized as revenue and included with other income in the accompanying 2020 statement of activities and changes in net assets.

# NURTURE THE NEXT

## Schedule of Expenditures of Federal and State Grant Awards

## Year ended June 30, 2021

| CFDA # | | Grant Number | Receivable Balance June 30, 2020 | Receipts and Other Reductions | Expenditures | Receivable Balance June 30, 2021 |
|---|---|---|---|---|---|---|
| | FEDERAL AWARDS | | | | | |
| | U.S. Dept. of Justice | | | | | |
| | Pass-through from Tennessee Department of Finance and Administration | | | | | |
| 16.575 | Child Abuse Prevention Program - VOCA | 184785983 | $ 126,962 | $ 519,071 | $ 537,971 | $ 145,862 |
| | Total program | | 126,962 | 519,071 | 537,971 | 145,862 |
| | U.S. Dept. of Health and Human Services | | | | | |
| | Pass-through from Tennessee Department of Health | | | | | |
| 93.136 | Core State Violence and Injury Prevention Program | GR1959307 | 6,700 | 6,948 | 248 | - |
| 93.136 | Core State Violence and Injury Prevention Program | GR2064927 | - | - | - | - |
| | Total program | | 6,700 | 6,948 | 248 | - |
| | U.S. Dept. of Health and Human Services | | | | | |
| | Maternal, Infant, and Early Childhood Home Visiting Cluster | | | | | |
| | Pass-through from Tennessee Department of Health | | | | | |
| 93.870 | Healthy Families | GR1960193 | 450,986 | 2,416,093 | 3,301,750 | 1,336,643 |
| | Total program | | 450,986 | 2,416,093 | 3,301,750 | 1,336,643 |
| | U.S. Dept. of Health and Human Services | | | | | |
| | Pass-through from Tennessee Department of Children's Services | | | | | |
| 93.590 | Nurturing Parents - Mid Cumberland | 57594 | 2,684 | 15,829 | 13,761 | 616 |
| 93.590 | Nurturing Parents - Tennessee Valley | 57305 | 2,113 | 14,949 | 13,345 | 509 |
| 93.590 | Nurturing Parents - Davidson | 57637 | 552 | 13,206 | 14,213 | 1,559 |
| 93.590 | Stewards of Children - Davidson | 57638 | 1,461 | 6,198 | 5,800 | 1,063 |
| 93.590 | Stewards of Children - Smokey | 57552 | 412 | 2,996 | 2,900 | 316 |
| 93.590 | Stewards of Children - Knox | 57289 | 1,737 | 6,459 | 5,576 | 854 |
| 93.590 | Stewards of Children - East | 57276 | 543 | 2,957 | 2,900 | 486 |
| 93.590 | Parent Leadership | 57768 | 10,825 | 42,100 | 36,250 | 4,975 |
| | Total program | | 20,327 | 104,694 | 94,745 | 10,378 |
| | Total federal awards | | 604,975 | 3,046,806 | 3,934,714 | 1,492,883 |
| | STATE AWARDS | | | | | |
| N/A | Tennessee Department of Children's Services | | | | | |
| | Healthy Start | 59315 | 48,291 | 315,448 | 364,700 | 97,543 |
| | Nurturing Parents - Mid Cumberland | 57594 | 6,573 | 38,755 | 33,692 | 1,510 |
| | Nurturing Parents - Tennessee Valley | 57305 | 5,173 | 36,599 | 32,671 | 1,245 |
| | Nurturing Parents - Davidson | 57637 | 1,350 | 32,330 | 34,797 | 3,817 |
| | Stewards of Children - Davidson | 57638 | 3,577 | 15,175 | 14,200 | 2,602 |
| | Stewards of Children - Smokey | 57552 | 1,008 | 7,334 | 7,100 | 774 |
| | Stewards of Children - Knox | 57289 | 4,253 | 15,812 | 13,650 | 2,091 |
| | Stewards of Children - East | 57276 | 1,329 | 7,238 | 7,100 | 1,191 |
| | Parent Leadership | 57768 | 26,501 | 103,071 | 88,750 | 12,180 |
| | Building Strong Brains | 63446 | 31,273 | 31,273 | - | - |
| | Total state awards | | 129,328 | 603,035 | 596,660 | 122,953 |
| | Total federal and state awards | | $ 734,303 | $ 3,649,841 | $ 4,531,374 | $ 1,615,836 |

**See accompanying notes to the Schedule of Expenditures of Federal and State Grant Awards**

**(1) Basis of Presentation**

**The accompanying Schedule of Expenditures of Federal and State Grant Awards (the "Schedule") includes the federal and state grant activity of Nurture The Next (the "Organization"). The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") as codified by HHS at 45 CFR Part 75 and the State of Tennessee. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.**

**(2) Summary of Significant Accounting Policies**

**For purposes of the Schedule, expenditures of federal and state grant awards are recognized on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.**

**The Organization did not expend any Federal or State awards during fiscal year 2021 in the form of non-cash assistance or provide any funds to subrecipients.**

**The Organization elected to not use the 10% de minimis indirect cost rate.**

**NURTURE THE NEXT**

**Schedule of Board Members and Management**

**June 30, 2021**

**Board of Directors**

**Mark Tinsey, Board Chair**
**Tony Jones, Incoming Board Chair**
**Eric Strickland, Immediate Past Chair**
**Dr. Rosemary Hunter, Secretary**
**Jon Perkins, Treasurer**
**Kristen Davis, President & CEO**

**Chuck Wilson**
**Adam Ackerman**
**Kelli Bjork**
**Gino DeSalvatore**
**Amy Goode**
**Meg McWhorter**
**Anne Morgan**
**Charlane Oliver**
**Joe Saig**
**Chad Shaw**
**Kirk Stanley**
**Ashok Sudarsahn**
**Mario Vangeli**
**Mary Beth West**
**Kinika Young**

**Members of Management**

**Kristen Davis, President & CEO**
**Katherine Snyder, COO**
**Melanie Scott, Director of Development**
**Heather Thompson, Director of Human Resources**
**Jennifer Vaida, Director of Programs**

LBMC MAKE A GOOD BUSINESS BETTER

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

The Board of Directors of
Nurture The Next:

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 Nurture The Next (the "Organization"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

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

LBMC, PC

Brentwood, Tennessee
December 9, 2021

LBMC MAKE A GOOD BUSINESS BETTER

**Independent Auditors' Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

**The Board of Directors of**
**Nurture The Next:**

**Report on Compliance for the Major Federal Program**

**We have audited Nurture The Next's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2021. The Organization's major federal program is identified in the summary of auditors' 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 its federal awards applicable to its federal programs.**

***Auditors' Responsibility***

**Our responsibility is to express an opinion on compliance for the Organization's major federal program 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 Organization'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 the Organization's major federal program. However, our audit does not provide a legal determination of the Organization's compliance.**

*Opinion on Major Federal Program*

**In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2021.**

**<u>Report on Internal Control Over Compliance</u>**

**Management of the Organization 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 Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Organization's 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 Organization'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**.

LBMC, PC

**Brentwood, Tennessee**
**December 9, 2021**

# Schedule of Findings and Questioned Costs and Schedule of Prior Audit Findings

## Year ended June 30, 2021

## SUMMARY OF INDEPENDENT AUDITORS' RESULTS

**Financial Statements**

| | | |
|---|---|---|
| **Type of auditors' report issued:** | **Unmodified** | |
| **Internal control over financial reporting:** | | |
| **Material weakness(es) identified?** | **___yes** | **_x_no** |
| **Significant deficiency(ies) identified?** | **___yes** | **_x_none reported** |
| **Noncompliance material to financial statements noted?** | **___yes** | **_x_no** |

**Federal Awards**

| | | |
|---|---|---|
| **Internal control over major programs:** | | |
| **Material weakness(es) identified?** | **___yes** | **_x_no** |
| **Significant deficiency(ies) identified?** | **___yes** | **_x_none reported** |
| **Type of auditors' report issued on compliance for major program** | **Unmodified** | |
| **Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?** | **___yes** | **_x_no** |

**Identification of major programs for the Organization for the fiscal year ended June 30, 2021 are:**

| CFDA Number | Name of Federal Program |
|---|---|
| 93.870 | Maternal, Infant, and Early Childhood Home Visiting Program |

**Dollar threshold to distinguish between Type A and Type B programs: $750,000**

| | | |
|---|---|---|
| **Auditee qualified as low-risk auditee?** | **_x_yes** | **___no** |

## (1) FINANCIAL STATEMENT FINDINGS

**None noted**

## (2) FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

**None noted**

## (3) SUMMARY OF PRIOR AUDIT FINDINGS

**None noted**