STARS NASHVILLE

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023 AND 2022

STARS NASHVILLE

Table of Contents

June 30, 2023 and 2022

STARS Nashville
Roster of Board of Directors and Leadership
As of June 30, 2023

Officers of Board of Directors

Rita McDonald	Chairman
Carnell Elliott	Past Chairman
Erin Tomlinson	Chairman Elect
Rob Barrick	Treasurer
Jamaal Oldham	Secretary
Sperry Bell Simmons	Co-Development Chair
Jillian Frist	Co-Development Chair
John Thetford	Associate Board Liaison

Board of Directors

John Bearden	Lizzie McKeand
Patrick Fears	Ellis Metz
Katie Grant	Casey Mulligan
Rasheen Hartwell	Renease Perkins
Tracey Henry	Mary Leigh Pirtle
Ellie Ivancich	Andrew Quinn
Nicole Jones	Robert Rosario
Sharon Kay	Andrew Solinger
Tyler Layne	Richard Stone
Shelby Lomax	Grace Sweeney
Andrew Maraniss	Alden Ward
Mary Martin	James Williams

Leadership

Rodger Dinwiddie	Chief Executive Director
Erin Daunic	Chief Development Officer
Sandy Schmahl	Chief Operations Officer
Cynthia Whetstone	Chief Finance Officer

Independent Auditor's Report

To the Board of Directors
STARS Nashville
Nashville, Tennessee

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of STARS Nashville (the Organization), a non-profit organization, which comprise the statements of financial position as of June 30, 2023 and 2022, respectively, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, respectively, 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.

Basis for Opinion
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. 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 Organization 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 opinions.

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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Auditor's report continued on next page)

40 Burton Hills Blvd. | Suite 170 | Nashville, TN 37215 p: (615) 296-0500 | f: (615) 296-0493
830 Crescent Centre Drive | Suite 320 | Franklin, TN 37067 pn-cpas.com

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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Organization'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 Organization'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 audits.

Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal, State, and Local 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

(Auditor's report continued on next page)

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 Schedule of Expenditures of Federal, State, and Local Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Roster of Board of Directors and Leadership but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023 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.

Puryear & Noonan, CPAs PLLC

Puryear & Noonan, CPAs
Nashville, Tennessee
December 14, 2023

STARS NASHVILLE
Statements of Financial Position
June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 686,531	$ 185,463	$ 871,994
Investments	3,100,200	347,715	3,447,915
Accounts receivable	1,158,722	-	1,158,722
Unconditional promises to give	-	740,963	740,963
Grants receivable	265,828	-	265,828
Prepaid expenses	41,556	-	41,556
Total Current Assets	5,252,837	1,274,141	6,526,978
Property and equipment, net	2,640,482	-	2,640,482
Investments	-	167,150	167,150
Total Assets	$ 7,893,319	$ 1,441,291	$ 9,334,610
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	$ 61,292	$ -	$ 61,292
Accrued wages and benefits	641,148	-	641,148
Accrued interest	7,888	-	7,888
Unearned revenue	14,585	-	14,585
Total Current Liabilities	724,913	-	724,913
Economic Injury Disaster Loan (EIDL) Loan	150,000	-	150,000
Total Liabilities	874,913	-	874,913
Net Assets			
Without donor restrictions	5,826,119	-	5,826,119
Without donor restrictions - Board designated	1,192,287	-	1,192,287
With donor restrictions	-	1,441,291	1,441,291
Total Net Assets	7,018,406	1,441,291	8,459,697
Total Liabilities and Net Assets	$ 7,893,319	$ 1,441,291	$ 9,334,610

See independent auditor's report and accompanying notes to financial statements.

STARS NASHVILLE
Statements of Financial Position (Continued)
June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 953,866	$ 145,189	$ 1,099,055
Investments	2,715,833	303,233	3,019,066
Accounts receivable	192,448	-	192,448
Unconditional promises to give	-	849,409	849,409
Grants receivable	409,027	-	409,027
Prepaid expenses	40,123	-	40,123
Total Current Assets	4,311,297	1,297,831	5,609,128
Property and equipment, net	2,751,935	-	2,751,935
Investments	-	167,150	167,150
Total Assets	$ 7,063,232	$ 1,464,981	$ 8,528,213
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	$ 88,877	$ -	$ 88,877
Accrued wages and benefits	321,969	-	321,969
Accrued interest	8,250	-	8,250
Unearned revenue	5,516	-	5,516
Total Current Liabilities	424,612	-	424,612
Economic Injury Disaster Loan (EIDL) Loan	150,000	-	150,000
Total Liabilities	574,612	-	574,612
Net Assets			
Without donor restrictions	5,400,341	-	5,400,341
Without donor restrictions - Board designated	1,088,279	-	1,088,279
With donor restrictions	-	1,464,981	1,464,981
Total Net Assets	6,488,620	1,464,981	7,953,601
Total Liabilities and Net Assets	$ 7,063,232	$ 1,464,981	$ 8,528,213

See independent auditor's report and accompanying notes to financial statements.

STARS NASHVILLE
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Special events income	$ 130,201	$ 14,695	$ 144,896
Special events income - nonfinancial assets	46,366	-	46,366
Less - Special events direct costs	(110,620)	-	(110,620)
Less - Special events direct costs - nonfinancial assets	(25,157)	-	(25,157)
Net special events income	40,790	14,695	55,485
School contract fees	8,433,995	-	8,433,995
Contributions of cash and financial assets	452,432	794,079	1,246,511
Grants	1,220,506	-	1,220,506
Investment income, net	262,024	44,482	306,506
Program service fees and funding	466,528	-	466,528
Miscellaneous	44,552	-	44,552
Net assets released from restrictions	876,946	(876,946)	-
Total Public Support and Revenue	11,797,773	(23,690)	11,774,083
Expenses			
Program Services			
Youth services	9,924,858	-	9,924,858
Supporting Services			
Fundraising	341,990	-	341,990
Management and general	1,001,139	-	1,001,139
Total Expenses	11,267,987	-	11,267,987
Change in Net Assets	529,786	(23,690)	506,096
Net Assets - Beginning of Year	6,488,620	1,464,981	7,953,601
Net Assets - End of Year	$ 7,018,406	$1,441,291	$ 8,459,697

See independent auditor's report and accompanying notes to financial statements.

STARS NASHVILLE
Statements of Activities and Changes in Net Assets (Continued)
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Special events income	$ 143,755	$ 5,019	$ 148,774
Special events income - nonfinancial assets	81,184	-	81,184
Less - Special events direct costs	(76,996)	-	(76,996)
Less - Special events direct costs - nonfinancial assets	(50,612)	-	(50,612)
Net special events income	97,331	5,019	102,350
School contract fees	3,424,045	-	3,424,045
Contributions of cash and financial assets	942,356	845,927	1,788,283
Grants	1,167,007	-	1,167,007
Forgiveness of Payroll Protection Program loan	755,541	-	755,541
Investment loss, net	(441,936)	(72,523)	(514,459)
Program service fees and funding	399,813	-	399,813
Miscellaneous	64,122	-	64,122
Net assets released from restrictions	372,908	(372,908)	-
Total Public Support and Revenue	6,781,187	405,515	7,186,702
Expenses			
Program Services			
Youth services	5,399,100	-	5,399,100
Supporting Services			
Fundraising	298,799	-	298,799
Management and general	567,891	-	567,891
Total Expenses	6,265,790	-	6,265,790
Change in Net Assets	515,397	405,515	920,912
Net Assets - Beginning of Year	5,973,223	1,059,466	7,032,689
Net Assets - End of Year	$ 6,488,620	$ 1,464,981	$ 7,953,601

See independent auditor's report and accompanying notes to financial statements.

STARS NASHVILLE
Statements of Functional Expenses
For the Years Ended June 30, 2023 and 2022

2023

	Program Services	Supporting Services		
	Youth Services	Fundraising	Management and General	Total
Personnel expense	$ 9,065,103	$ 255,534	$ 677,411	$ 9,998,048
Professional fees	241,882	11,242	236,292	489,416
Supplies	89,643	3,806	8,167	101,616
Communications	25,906	1,724	2,390	30,020
Postage	17	2,159	1,105	3,281
Occupancy	66,505	5,364	10,233	82,102
Equipment rental and maintenance	375	24	6,734	7,133
Printing and publications	187,783	46,716	9,343	243,842
Travel, meetings, and conferences	116,050	5,420	1,553	123,023
Insurance	36,556	748	19,251	56,555
Interest	-	-	5,156	5,156
Membership dues and awards	1,395	453	1,785	3,633
National dues	-	-	5,000	5,000
Miscellaneous expense	3,167	1,528	3,014	7,709
Total expenses before depreciation	9,834,382	334,718	987,434	11,156,534
Depreciation of property and equipment	90,476	7,272	13,705	111,453
Total Expenses	$ 9,924,858	$ 341,990	$ 1,001,139	$ 11,267,987
Percent of total expenses	88%	3%	9%	100%

2022

	Program Services	Supporting Services		
	Youth Services	Fundraising	Management and General	Total
Personnel expense	$ 4,703,802	$ 238,926	$ 399,048	$ 5,341,776
Professional fees	252,052	2,557	63,674	318,283
Supplies	55,725	4,906	12,187	72,818
Communications	25,398	1,074	2,716	29,188
Postage	4	650	295	949
Occupancy	61,113	4,696	9,221	75,030
Equipment rental and maintenance	-	-	7,484	7,484
Printing and publications	113,499	30,491	10,391	154,381
Travel, meetings, and conferences	69,784	4,990	3,840	78,614
Insurance	26,459	808	14,402	41,669
Interest	-	-	8,183	8,183
Membership dues and awards	1,521	1,830	3,913	7,264
National dues	-	-	5,000	5,000
Miscellaneous expense	13,015	1,852	3,403	18,270
Total expenses before depreciation	5,322,372	292,780	543,757	6,158,909
Depreciation of property and equipment	76,728	6,019	24,134	106,881
Total Expenses	$ 5,399,100	$ 298,799	$ 567,891	$ 6,265,790
Percent of total expenses	86%	5%	9%	100%

See independent auditor's report and accompanying notes to financial statements.

STARS NASHVILLE
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	$ 506,096	$ 920,912
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by (Used for) Operating Activities		
Depreciation	111,453	106,881
Net unrealized (gains) losses on investments	(235,620)	568,379
Net realized (gains) losses on investments	1,755	1,172
Forgiveness of Payroll Protection Program loan	-	(748,365)
Changes in operating assets and liabilities		
(Increase) decrease in unconditional promises to give - With donor restrictions	108,446	(477,634)
(Increase) decrease in unconditional promises to give - Without donor restrictions	-	300
(Increase) decrease in accounts receivable - Unrestricted	(966,274)	(77,693)
(Increase) decrease in grants receivable	143,199	(258,264)
(Increase) decrease in prepaid expenses	(1,433)	(15,764)
Increase (decrease) in accounts payable	(27,585)	17,509
Increase (decrease) in accrued wages and benefits	319,179	81,538
Increase (decrease) in accrued interest	(362)	1,007
Increase (decrease) in unearned revenue	9,069	(8,690)
Net Cash Provided by (Used for) Operating Activities	(32,077)	111,288
Cash Flows from Investing Activities		
Purchases of property and equipment	-	(27,641)
(Purchases) sales of investments, net	(194,984)	(33,206)
Net Cash Provided by (Used for) Investing Activities	(194,984)	(60,847)
Net Change in Cash	(227,061)	50,441
Cash - Beginning of Year	1,099,055	1,048,614
Cash - End of Year	$ 871,994	$ 1,099,055
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 5,518	$ 7,176

Non-Cash Transactions

During the year ended June 30, 2023, the Organization retired assets with a cost of $45,672 with accumulated depreciation of $45,672.

During the year ended June 30, 2022, the Organization retired assets with a cost of $62,878 with accumulated depreciation of $62,878.

See independent auditor's report and accompanying notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

Organization and Purpose

STARS Nashville (the Organization) was established in 1984 as a nonprofit organization and exists to serve schools and communities in Middle Tennessee by providing prevention, intervention and treatment services that address bullying, substance abuse, violence, and social and emotional barriers to success. The Organization provides some services under the name Kids on the Block.

The Organization is listed on the U.S. Department of Health and Human Services Substance Abuse and Mental Health Services Administration's (SAMHSA) National Registry of Evidence-Based Programs and Practices (NREPP).

The Organization is also licensed as an Alcohol and Drug Non-Residential Rehabilitation Treatment and Mental Health Outpatient Facility by the State of Tennessee Department of Mental Health and Substance Abuse Services.

The Organization is also accredited by CARF International which is an independent, nonprofit accrediting body whose mission is to promote the quality, value, and optimal outcomes of services through a consultative accreditation process and continuous improvement services that center on enhancing the lives of the persons served.

Basis of Accounting

The financial statements of the Organization are prepared using the accrual basis of accounting, under which revenues are recognized when earned rather than when collected and expenses are recognized when incurred rather than when disbursed.

Financial Statement Presentation

For financial statement presentation, the Organization reports its financial information according to two classes of net assets (net assets with and without restrictions) based on the existence or absence of donor-imposed restrictions.

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. Net assets without restrictions may be designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time. Other donor restrictions are perpetual in nature whereby the donor has stipulated the funds be maintained in perpetuity.

Measure of Operations
The Statements of Activities and Changes in Net Assets report changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities and interest and investment income. Non-operating activities are limited to resources that generate return from other investments, permanently restricted contributions, net assets released for capital expenditures, and other activities considered to be of a more unusual or non-recurring nature.

Program and Supporting Services - Functional Expenses
The following program and supporting services are included in the accompanying financial statements on the Statements of Functional Expenses.

> **Program Services** - includes prevention, intervention, treatment, and training modalities related to school-based and community-based mental health counseling services to help all young people pursue their unlimited potential by providing hope, health, and connection.
>
> **Supporting Services - Management and General** - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program, event or fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organizational oversight, business management, record keeping, budgeting, financing, and other administrative activities.
>
> **Supporting Services - Fundraising** - includes cost of activities directed toward appeals for financial support and the cost of solicitations and creation and distribution of fundraising materials.

Classifications of Expenses
The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Direct expenses, incurred for a single function, are allocated entirely to that function. Expenses applicable to more than one function, are allocated on the basis of time and effort, square footage, or headcount. Personnel expense, travel, meetings and conferences are allocated based on time and effort. Professional fees, supplies, telephone, and postage are allocated on headcount, while occupancy, insurance, and depreciation are allocated based on square footage.

Use of Estimates
Management of the Organization has made a number of estimates and assumptions relating to the reporting of assets and liabilities and disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Actual results could differ from these estimates.

Cash Equivalents
For purposes of the Statements of Cash Flows, the Organization considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Fair Value Measurements

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements*, with respect to its financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are as follows:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 - Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

U.S. GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash and cash equivalents, accounts and grants receivable, unconditional promises to give, investments, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value. There are no financial instruments categorized as Level 2 or Level 3.

Investments Valuation

Investments consist of equity and mutual funds and are measured on a recurring basis at fair value at the reporting date using quoted prices in active markets for identical assets (Level 1). Unrealized gains and losses are recognized in the Statements of Activities and Changes in Net Assets. Gains and investment income whose restrictions are met in the same reporting period are shown as unrestricted support.

Accounts Receivable and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

The Organization uses the allowance method to determine uncollectible accounts receivable and unconditional promises to give. Management's estimate of doubtful accounts is based on historical collection experience and a review of the current status of accounts receivable and unconditional promises to give. There was no allowance for doubtful accounts at June 30, 2023 or 2022. It is reasonably possible that management's estimate of the allowance for doubtful accounts could change. Receivables and unconditional promises to give are charged against the allowance when management believes the collectibility of the receivable is unlikely. For the years ended June 30, 2023 and 2022, there was no bad debt expense. Accounts receivable are considered delinquent after ninety days. Late fees and interest are not assessed on delinquent accounts. It is not the policy of the Organization to place a customer on non-accrual status. At June 30, 2023 and 2022, $3,228 and $4,075, respectively, of accounts receivable and unconditional promises to give are greater than ninety days old and are still considered fully collectible.

Right-of-Use Assets and Liabilities

Right-of-use (ROU) assets represent the right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from the leases. ROU assets and liabilities are recognized at commencement date based on the present value of future lease payments over the lease term, which includes only payments that are fixed and determinable at the time of commencement. When readily determinable, the Organization uses the interest rate implicit in a lease to determine the present value of future lease payments. For leases where the implicit rate is not readily determinable, the Organization's incremental borrowing rate is used. The Organization calculates incremental borrowing rate on a periodic basis using a third-party financial model that estimates the rate of interest the Organization would have to pay to borrow an amount equal to the total lease payments on a collateralized basis over a term similar to the lease. The Organization applies its incremental borrowing rate using a portfolio approach. The ROU assets also includes any lease payments made prior to commencement and is recorded net of any lease incentives received. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise such options.

Property and Equipment

The Organization's property consists of land, building, building improvements, furniture, fixtures, and equipment.

Property and equipment are recorded at cost, or at appraised value if donated. Depreciation is computed by the straight-line method based on the estimated useful lives of the related assets. The Organization capitalizes items that are greater than or equal to $2,500 and expenses items under $2,500. The Organization uses the direct expensing method to account for planned major maintenance activities.

In accordance with FASB ASC 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets,* the Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors. No impairments have been recognized on any property at June 30, 2023 or 2022.

Recognition of Donor Restrictions
Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. Such donor restricted revenues totaled $853,256 and $778,423 during the years ended June 30, 2023 and 2022, respectively, and are included in revenue with donor restrictions on the Statements of Activities and Changes in Net Assets. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenue Recognition
Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration the Organization expects to be entitled to in exchange for transferring those goods or services.

Revenue is recognized based on the following five step model:

- Identification of the contract
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Organization satisfies a performance obligation

The Organization’s revenues primarily consist of school contract fees, contributions, grant revenue, and other program fees.

School contract fees are recognized when earned during the school term, which generally runs from August to May.

Contributions are recognized when received and are considered to be available for unrestricted use unless specifically restricted by the donor.

Grant revenue results from agreements, typically with government agencies, that fund specific activities of the Organization. The grants are of three primary types: unconditional contributions, conditional contributions, and exchange transactions. An agreement is a contribution if its primary purpose is to enable the Organization to provide a service to or for the general public rather than to serve the direct needs of the granting or contracting party. In other words, the agreement is a contribution if any benefit to the granting or contracting party is indirect and insubstantial as compared to the public benefit. The Organization recognizes grant and contract revenue associated with unconditional contributions without donor stipulations as revenue and net assets without donor restrictions. Unconditional contributions with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions. The Organization recognizes grant and contract revenue associated with conditional contributions as earned when the conditions are met (allowable expenses have been incurred or as milestones are met) as net assets without donor restrictions. Any unused funds are forfeited, and if any expenditures are unallowed, the Organization is required to refund the amounts drawn down. In contrast, if the grant or contract provides a benefit directly to the granting or contracting party, the agreement is an exchange transaction with a customer.

Grant revenue from federal agencies is subject to independent audit under the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of grant, or reductions of future grant funds. Based on prior experience, the Organization’s management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Other fees are recognized as the services are performed on a monthly basis. Some fees are a flat monthly fee but some fees are for specific services which are billed and recognized separately.

Unearned Revenue

The Organization receives advance funds under certain school contracts. The funds are recorded as unearned revenue until the services are performed, at which time the Organization recognizes the funds as school contract fees.

PPP Loans

In prior years, the Organization has received loans in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). U.S. GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loans as debt. A loan received during the year ended June 30, 2021, was forgiven, including interest, during the year ended June 30, 2022 and $755,541 has been recognized as income on the Statements of Activities and Changes in Net Assets.

Income Taxes

The Organization has obtained a determination letter from the Internal Revenue Service effective July 1, 2000, which qualifies the Organization as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal or state income taxes. The Organization is not classified as a private foundation. Unrelated business taxable income generated by the Organization is primarily related to certain consulting and rental activities.

The Organization follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Organization follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, as it relates to uncertain tax positions. Any interest and penalties recognized associated with a tax position are classified in management and general expenses in the Organization’s financial statements.

Donated Items

Certain contributed supplies and specialized services are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor. Volunteer services, which neither create nor enhance nonfinancial assets, or do not require specialized skills, are not recognized as support. Contributed auction items for a special event are recorded at fair market value, when determinable, otherwise at values indicated by the donor and then adjusted to the final bids from the auction. During the years ended June 30, 2023 and 2022, the Organization received auction items with a fair market value of $27,634 and $39,232, respectively, which were sold at auction for $21,209 and $30,572, respectively, which is included in special events income - nonfinancial assets on the Statements of Activities and Changes in Net Assets. During the years ended June 30, 2023 and 2022, the Organization has received various in-kind contributions of media coverage, center pieces for events, and curriculum, valued at third party service rates and wholesale plant prices primarily for annual fundraising events valued at $25,157 ($25,157 for one event in 2023) and $50,612 ($25,306 for two events each in 2022), which is included in special events income - nonfinancial assets and special events direct costs - nonfinancial assets on the Statements of Activities and Changes in Net Assets. Contributions of marketable securities are recorded at fair value based on quoted market prices on the date of the gift. It is the policy of the Organization to sell contributed marketable securities as soon as reasonably possibly upon receipt of the gift.

Advertising

Advertising is expensed as incurred.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation.

Events Occurring After the Reporting Date
The Organization has evaluated events and transactions that occurred between July 1, 2023 and December 14, 2023, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Note 2 - Adoption of New Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 which requires lessees to recognize leases on the Statements of Financial Position and disclose key information about leasing arrangements.

ASU 2016-02 was subsequently amended by ASU 2018-01, *Land Easement Practical Expedient for Transition* to Topic 842; ASU 2018-10, *Codification Improvements* to Topic 842, *Leases*; and ASU 2018-11, *Targeted Improvements*. ASU 2016-02 establishes a ROU that requires a lessee to recognize a ROU asset and lease liability on the Statements of Financial Position for all leases with a term longer than 12 months. Leases are also classified as finance or operating, with classification affecting the pattern and classification of expense recognition on the Statements of Activities and Changes in Net Assets. The Organization adopted the new standard effective July 1, 2022 using the optional alternative method of adoption. This method allows the Organization to apply the new requirements to only those leases that exist as of July 1, 2022. There was no effect on the Statements of Activities and Changes in Net Assets as a result of this adoption. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

Using the adoption of the new lease standard, the Organization has elected to apply the following package of practical expedients:

- Contracts need not be reassessed to determine whether they are or contain leases.
- All existing leases that were previously classified as operating leases continue to be classified as operating leases, and all existing leases that were previously classified as capital leases continue to be classified as finance leases.
- Initial direct costs need not be reassessed.

The Organization has also elected the following practical expedients: (1) not to separate lease components from non-lease components, (2) as an accounting policy election, to apply the short-term lease exception, which does not require the capitalization of leases with terms of 12 months or less, (3) the use of hindsight in determining the lease term and in assessing impairment of ROU assets, and (4) to apply the option not to assess whether existing or expired land easements that were not previously evaluated are or contain a lease.

The Organization had no material operating or finance leases that would qualify as a ROU asset and liability at June 30, 2023 (See Note 12).

Note 3 - Liquidity and Availability

The Organization's financial assets available within one year of the Statements of Financial Position for general expenditures are as follows:

	2023	2022
Cash and cash equivalents	$ 871,994	$ 1,099,055
Investments	3,447,915	3,019,066
Accounts receivable	1,158,722	192,448
Unconditional promises to give	740,963	849,409
Grant receivables	265,828	409,027
	6,485,422	5,569,005
Less - Financial assets with donor restrictions, excluding time restrictions that expire in the next twelve months	(398,017)	(379,535)
Less - Board designated restrictions	(1,192,287)	(1,088,279)
Financial assets available to meet general expenditures over the next twelve months	$ 4,895,118	$ 4,101,191

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Board of Directors has designated certain amounts as a Building Reserve Fund. These amounts are not to be used for current operations; however, funds may be drawn upon in the event of financial distress. At June 30, 2023, the Organization also has an unused line of credit. Credit is extended based on an assigned loanable value of eligible securities the Organization maintains with the financial institution. Aggregate loanable value will be calculated based on the market value of each security. The Priority Credit Line carries an interest rate of prime rate less .5% and is collateralized by the securities.

Note 4 - Investments

Investments are stated at fair value (Level 1) and are summarized at June 30, 2023 and 2022, as follows:

2023

	Cost	Fair Value	Carrying Value
Equity Funds	$ 2,881,610	$ 3,240,536	$ 3,240,536
Mutual Funds	364,683	374,529	374,529
	$ 3,246,293	$ 3,615,065	$ 3,615,065

2022

	Cost	Fair Value	Carrying Value
Equity Funds	$ 2,833,519	$ 2,963,774	$ 2,963,774
Mutual Funds	219,545	222,442	222,442
	$ 3,053,064	$ 3,186,216	$ 3,186,216

The amounts invested, market value, and yields at June 30, 2023 and 2022 are summarized as follows:

	2023	2022
Fair value	$ 3,615,065	$ 3,186,216
Cost	(3,246,293)	(3,053,064)
Unrealized gain	$ 368,772	$ 133,152
Investment income	$ 100,048	$ 86,848
Net unrealized gain (loss) on investments	235,620	(568,379)
Net realized gain (loss) on sale of investments	(1,755)	(1,172)
Investment expenses	(27,407)	(31,756)
Investment income (loss), net	$ 306,506	$ (514,459)

Note 5 - Unconditional Promises to Give

Unconditional promises to give - restricted, which are not funded until a subsequent year and are temporarily restricted for use during a subsequent year, at June 30, 2023 and 2022, represent pledges for donations or grants as follows:

	2023	2022
United Way Services	$ 675,963	$ 719,409
Family Foundation	65,000	130,000
	$ 740,963	$ 849,409
Amounts due in		
less than one year	$ 740,963	$ 784,409
one to five years	-	65,000
	$ 740,963	$ 849,409

Note 6 - Property and Equipment

At June 30, 2023 and 2022, the Organization's building, property, and equipment is recorded as follows:

	Useful Lives (Years)	2023	2022
Land	-	$ 335,000	$ 335,000
Building and improvements	39	3,537,866	3,537,866
Furniture and equipment	2 - 7	184,957	230,629
		4,057,823	4,103,495
Less - Accumulated depreciation		(1,417,341)	(1,351,560)
		$ 2,640,482	$ 2,751,935

Depreciation expense for the years ended June 30, 2023 and 2022 totaled $111,453 and $106,881, respectively.

Note 7 - Pension Plan

The Organization has adopted a 401(k) profit sharing plan (the Plan), which covers employees who have completed 1,000 hours of service within twelve months of their commencement date, and employees vest immediately upon entering the Plan. The Organization makes matching safe-harbor contributions to each eligible and contributing participant in the amount of 100% of the first 3% of the participant's compensation, then 50% between 3% and 5% of the participant's compensation for the Plan year. The Organization can make discretionary contributions to the Plan. Total expenses for the Plan for the years ended June 30, 2023 and 2022 were approximately $109,000 and $72,000, respectively, and are included in the Statements of Functional Expenses in personnel expense.

Note 8 - Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2023 and 2022 are available for the following purposes:

	2023	2022
For use in the year ended June 30, 2023	$ -	$ 918,296
For use in the year ended June 30, 2024	915,124	65,000
Endowment income not appropriated	347,715	303,233
Specific programs	3,320	3,320
Building	7,982	7,982
Endowment	167,150	167,150
	$ 1,441,291	$ 1,464,981

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors at June 30, 2023 and 2022 are as follows:

	2023	2022
Time restrictions	$ 876,946	$ 372,908
Specific programs	-	-
	$ 876,946	$ 372,908

Note 9 - Endowment

Net assets with donor restrictions in the amount of $167,150 at June 30, 2023 and 2022, are restricted for an endowment fund. The interest is unrestricted but included in net assets with donor restrictions until appropriated.

The Organization’s endowment consists of one fund established as a general endowment to support the mission of the Organization. There are no funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, if any, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with permanent restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with permanent restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

***Investment Return Objectives, Risk Parameters, and Strategies* -** The Organization has adopted investment policies, approved by the Board of Directors, that attempt to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed so as not to expose the fund to unacceptable levels of risk.

***Spending Policy* -** The Organization has adopted a spending policy allowing accumulated earnings, plus 5% of the principal amount, to be used each year for fixed operating costs. Approval from the Board of Directors is required before any endowment funds are withdrawn.

Endowment net asset composition by type of fund as of June 30, 2023 and 2022 is as follows:

2023

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ 167,150	$ 167,150
Amounts not appropriated	-	347,715	347,715
Total funds	$ -	$ 514,865	$ 514,865

2022

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ 167,150	$ 167,150
Amounts not appropriated	-	303,233	303,233
Total funds	$ -	$ 470,383	$ 470,383

Changes in endowment net assets as of June 30, 2023 and 2022 are as follows:

2023

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets - beginning of year	$ -	$ 470,383	$ 470,383
Investment income (loss)	-	7,671	7,671
Net appreciation (depreciation)	-	36,811	36,811
Endowment net assets - end of year	$ -	$ 514,865	$ 514,865

2022

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets - beginning of year	$ -	$ 542,906	$ 542,906
Investment income (loss)	-	7,066	7,066
Net appreciation (depreciation)	-	(79,589)	(79,589)
Endowment net assets - end of year	$ -	$ 470,383	$ 470,383

Note 10 - EIDL Loan

In June 2020, the Organization applied for and received an Economic Injury Disaster Loan (EIDL) from the Small Business Administration (SBA) totaling $150,000. Monthly payments totaling $641 will begin thirty months from the date of the loan. Accrued interest is being paid before any principal payments begin. The interest rate is 2.75% and began accruing on the date the Organization received the EIDL fund. The final loan payment will be 30 years from the date of the loan. The SBA has a continuing security interest in the assets of the Organization.

Maturities of notes payable as of June 30, 2023 are summarized as follows:

2024	$ -
2025	-
2026	2,644
2027	3,613
2028	3,716
Thereafter	140,027
	$ 150,000

Note 11 - Grant Revenue

Grant revenue - Federal, state, and local awards (conditional contributions) for the years ending June 30, 2023 and 2022 is as follows:

	2023	2022
Conditional Grants		
Fee based grants for treatment of substance abuse	$ 274,454	$ 265,732
Fee based grants for prevention of substance abuse	269,635	348,221
Cost reimbursement grants for prevention of substance abuse	613,136	488,552
Cost reimbursement grants for other programs	63,281	64,502
Total Conditional Grants	$ 1,220,506	$ 1,167,007

Related to conditional grants are amounts totaling $693,052 and $516,759, respectively, which have not been recognized as of June 30, 2023 and 2022, but will be recognized in future periods, if conditions are met.

Note 12 - Leases

The Organization leases office space in the Youth Opportunity Center (YOC) to several unrelated non-profit organizations. The YOC was developed specifically to align existing youth initiatives, resources, and expertise to increase the operating efficiency of the partner agencies. The lease terms call for these organizations to reimburse the Organization for only the costs of operating and maintaining the leased portion of the building based on the occupied square footage. The costs do not include interest or depreciation, but do include a 10% administrative fee. Lease terms vary from month-to-month to one year.

As a result of these arrangements, the Organization received approximately $45,000 and $51,000, respectively, at June 30, 2023 and 2022, which is included in miscellaneous income on the Statements of Activities and Changes in Net Assets.

The Organization leases office equipment under operating leases. Total lease expense incurred by the Organization was approximately $5,000 for the years ended June 30, 2023 and 2022, and is included in equipment rental and maintenance on the Statements of Functional Expenses. There is one immaterial operating lease that exceeds one year at June 30, 2023.

The future minimum payments at June 30, 2023 are as follows:

2024	$ 5,571
2025	5,571
2026	3,250
	$ 14,392

Note 13 - Income Taxes

The Organization recognizes the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. Management has analyzed the Organization's tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for the open tax years (years ended June 30, 2020 through 2022), or expected to be taken in the Organization's tax return for the year ended June 30, 2023. The Organization identifies its major tax jurisdictions as the U.S. Federal and the State of Tennessee. However, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions. The Organization is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change in the next twelve months.

The Organization is subject to taxes on its unrelated business income. At June 30, 2023 and 2022, the Organization had net operating loss carryforwards for tax purposes of approximately $107,000 and $18,000 for Federal and State, respectively, available to offset future unrelated business income. These carryforwards will begin to expire in 2026, if not previously utilized.

Although the Organization has generated net operating income from unrelated business income relating to its consulting activities, the deferred tax asset has been netted against a 100% valuation allowance since there is no indication of material future income at this time, as follows:

	2023	2022
Deferred tax asset		
Net operating carryforwards - Federal	$ 22,000	$ 22,000
Net operating carryforwards - State	1,000	1,000
Valuation allowance	(23,000)	(23,000)
Net deferred tax asset	$ -	$ -

During the years ended June 30, 2023 and 2022, the Organization did not recognize any interest and penalties relating to taxes, nor were any accrued at June 30, 2023 and 2022. The valuation allowance did not change during the years ended June 30, 2023 and 2022.

Note 14 - Related Party Transactions

The Organization paid annual dues of $5,000 for the years ended June 30, 2023 and 2022 to Center for Youth Issues, Inc. (National), which is the Organization's national affiliate.

Note 15 - Section 125 Plan

The Organization has adopted a cafeteria plan (the 125 Plan) under Section 125 of the Internal Revenue Code, allowing a choice between cash and certain qualified benefits. Benefits are entirely funded through employee pre-tax deductions and employer contributions used to purchase elected benefits. Benefit options under the 125 Plan consist of medical and dental insurance, which are provided through insurance policies for employees who work at least thirty hours a week.

Note 16 - Board Designated Restrictions

At June 30, 2023 and 2022, the Board of Directors has designated $1,192,287 and $1,088,279, respectively, of investments and cash and cash equivalents for the Building Reserve Fund, which is included in net assets without donor restrictions.

Note 17 - Concentrations of Credit Risk

A significant portion of the Organization's revenue is derived from individuals, organizations, schools, and foundations in Middle Tennessee and grants from the State of Tennessee. The following organizations contributed more than 10% of total public support and revenue, excluding the PPP loan forgiveness, during 2023 and 2022:

	2023	2022
Metropolitan Nashville Public Schools	39%	6%
Williamson County Board of Education	22%	27%
Tennessee Department of Mental Health	7%	12%
Wilson County Board of Education	0%	10%

At June 30, 2023, one (1) organization represents 92% of grants receivable, 85% of unconditional promises to give is due from two (2) local United Way organizations, and two (2) organizations represent 94% of accounts receivable.

At June 30, 2022, two (2) organizations represent 92% of grants receivable, 80% of unconditional promises to give is due from two (2) local United Way organizations, 15% of unconditional promises to give is due from one (1) family foundation, and four (4) organizations represent 89% of accounts receivable.

Note 18 - Risk on Uninsured Cash

The standard Federal Deposit Insurance Corporation insurance amount is $250,000 per depositor, per insured bank; and therefore, amounts in excess of $250,000 held by the Organization during the years ended June 30, 2023 and 2022, respectively, were uninsured and uncollateralized. 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.

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer that is the custodian of the Organization's securities is covered by the Securities Investor Protection Corporation (SIPC), which provides limited protection to investors. SIPC coverage is limited to specified investor-owned securities (notes, bonds, mutual funds, investment company securities, and registered securities) held by an insolvent SIPC member at the time a supervising trustee is appointed. The SIPC also protects against unauthorized trading in the Organization's security account. SIPC coverage is limited to $500,000 per customer, including $250,000 for cash that is on deposit as the result of a security transaction. The SIPC protection does not insure against market risk.

Note 19 - Recent Accounting Standards

From time-to-time, new accounting pronouncements are issued by the FASB or other standards setting bodies that the Organization adopts as of the specified effective date. Unless otherwise discussed, management believes the impact of any other recently issued standards that are not yet effective are either not applicable at this time or will not have a material impact on the financial statements upon adoption.

SUPPLEMENTARY INFORMATION

STARS Nashville
Schedule of Expenditures of Federal, State and Local Awards
Year Ended June 30, 2023

Federal Grantor Agency/ Pass-Through Grantor Agency/ State or Local Program Title	Program Name	Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
Federal Awards				
U.S. Department of Health and Human Services:				
Direct Award Substance Abuse and Mental Health Services Administration				
Center for Substance Abuse Prevention				
	Strategic Prevention Framework Partnerships for Success	93.243	5H79SP082585-02	$ 65,443
	Strategic Prevention Framework Partnerships for Success	93.243	5H79SP082585-03	219,593
	Sub-total 93.243			285,036
	Block Grants for the Prevention and Treatment of Substance Abuse:			
	TN Preventive Network (TPN)	93.959	DGA 74156_2022-2023_018	269,635
	Addictions Recovery Program (ARP)	93.959	DGA 74140_2022-2023_089	9,985
	Adolescent Treatment (ASUDSP)	93.959	74846	186,318
	Sub-total 93.959			465,938
	State Targeted Response to the Opioid Crisis	93.788	72289	76,664
	State Targeted Response to the Opioid Crisis	93.788	77370	210,000
	State Targeted Response to the Opioid Crisis	93.788	DGA 78005_2023-2024_052	41,436
	Sub-total 93.788			328,100
	Total U.S. Department of Health and Human Services			1,079,074
U.S. Department of Justice:				
Direct Award Office Justice Programs				
	Bureau of Justice Assistance - STOP School Violence	16.839	2019-YS-BX-0315	63,281
	Total U.S. Department of Justice			63,281
	Total Federal Awards			1,142,355
State Awards				
Tennessee Department of Mental Health and Substance Abuse Services - Addiction Recovery Program				
	N/A	N/A	DGA 74140_2022-2023_089	56,370
	Total State Awards			56,370
Local Awards				
Metro Nashville Community Partnership Fund - Juvenile Court Youth Violence Reduction		N/A	L-5354	21,781
	Total Local Awards			21,781
	Total Federal, State and Local Awards			$ 1,220,506

See notes to Schedule of Expenditures of Federal, State, and Local Awards.

Notes to Schedule of Expenditures of Federal, State, and Local Awards

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal, State, and Local Awards (the Schedule) includes the federal grant activity of the Organization under programs of the federal government received directly and passed through from the State of Tennessee as well as other state and local assistance for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Schedule is prepared 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 has elected to use the 10% deminimis indirect cost rate allowed under the Uniform Guidance for the Strategic Prevention Framework Partnerships for Success, Bureau of Justice Assistance - STOP School Violence, and State Targeted Response to the Opioid Crisis.

The Organization did not pass any awards through to sub-recipients for the year ended June 30, 2023.

Note 2 - Contingencies

These programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

PURYEAR & NOONAN, CPAs

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

To the Board of Directors
STARS Nashville
Nashville, Tennessee

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 STARS Nashville (the Organization), a nonprofit organization, which comprise the statement of financial position as of June 30, 2023, 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 14, 2023.

Report on 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) as a basis for designing 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 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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.

(Auditor's report continued on next page)

40 Burton Hills Blvd. | Suite 170 | Nashville, TN 37215
830 Crescent Centre Drive | Suite 320 | Franklin, TN 37067
p: (615) 296-0500 | f: (615) 296-0493
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Our consideration of the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 financial statements. 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.

Puryear & Noonan, CPAs PLLC

Puryear & Noonan, CPAs
Nashville, Tennessee
December 14, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
STARS Nashville
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited STARS Nashville's (the Organization), a nonprofit organization, compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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 each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Organization's compliance with the compliance requirements referred to above.

(Auditor's report continued on next page)

40 Burton Hills Blvd. | Suite 170 | Nashville, TN 37215
830 Crescent Centre Drive | Suite 320 | Franklin, TN 37067
p: (615) 296-0500 | f: (615) 296-0493
pn-cpas.com

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Organization 's federal programs.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

(Auditor's report continued on next page)

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Puryear & Noonan, CPAs PLLC

Puryear & Noonan, CPAs
Nashville, Tennessee
December 14, 2023

Section I Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	**Unmodified**			
Internal control over financial reporting:				
Material weakness(es) identified?	___	yes	X	no
Significant deficiencies identified that are not considered to be material weakness(es)?	___	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 deficiencies identified that are not considered to be material weakness(es)?	___	yes	X	none reported
Type of auditor's report issued on compliance for major programs:	**Unmodified**			
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	___	yes	X	no

(Continued on next page)

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
93.959	Block Grants for the Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between type A and type B programs: $750,000

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

Section II Financial Statement Findings

No matters were reported.

Section III Federal Award Findings and Questioned Costs

No matters were reported.

STARS Nashville
Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

None.