

**NASHVILLE CONFLICT RESOLUTION CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nashville Conflict Resolution Center

Report on the Financial Statements

We have audited the accompanying financial statements of Nashville Conflict Resolution Center (a Tennessee not-for-profit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Nashville Conflict Resolution Center as of June 30, 2018 and 2017, 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.

Blankenship CPA Group, PLLC
December 4, 2018

**NASHVILLE CONFLICT RESOLUTION CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
ASSETS		
Cash	\$ 279,345	\$ 266,053
Accounts receivable	34,648	27,874
Property and equipment, net	<u>2,259</u>	<u>2,824</u>
TOTAL ASSETS	<u>\$ 316,252</u>	<u>\$ 296,751</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 3,529	\$ 4,199
Accrued expenses	<u>4,564</u>	<u>4,247</u>
Total Liabilities	<u>8,093</u>	<u>8,446</u>
NET ASSETS		
Unrestricted	288,159	246,805
Temporarily restricted	<u>20,000</u>	<u>41,500</u>
Total Net Assets	<u>308,159</u>	<u>288,305</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 316,252</u>	<u>\$ 296,751</u>

The accompanying notes are an integral part of these financial statements.

**NASHVILLE CONFLICT RESOLUTION CENTER
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Changes in Unrestricted Net Assets		
Revenues		
In-kind contributions	\$ 236,600	\$ 234,000
Government grants	189,146	195,565
Public support	42,231	26,236
Foundation grants	40,000	47,800
Fundraising	19,430	40,095
Fee income	11,367	18,848
	<u>538,774</u>	<u>562,544</u>
Total Unrestricted Revenues	538,774	562,544
Net assets released from restrictions	<u>41,500</u>	<u>30,000</u>
Total Unrestricted Revenues and Reclassifications	<u>580,274</u>	<u>592,544</u>
Functional Expenses		
Program services	472,131	469,893
Supporting services:		
Management and general	53,232	41,744
Fundraising	13,557	17,814
	<u>538,920</u>	<u>529,451</u>
Total Unrestricted Functional Expenses	538,920	529,451
Increase in unrestricted net assets	<u>41,354</u>	<u>63,093</u>
Changes in Temporarily Restricted Net Assets		
Restricted grants	20,000	41,500
Net assets released from restrictions	<u>(41,500)</u>	<u>(30,000)</u>
(Decrease) increase in temporarily restricted net assets	<u>(21,500)</u>	<u>11,500</u>
INCREASE IN NET ASSETS	19,854	74,593
NET ASSETS, BEGINNING OF THE YEAR	<u>288,305</u>	<u>213,712</u>
NET ASSETS, END OF THE YEAR	<u><u>\$ 308,159</u></u>	<u><u>\$ 288,305</u></u>

The accompanying notes are an integral part of these financial statements.

**NASHVILLE CONFLICT RESOLUTION CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

		Supporting Services		
	Program Services	Management and General	Fund- raising	Total
Compensation, benefits and taxes	\$ 430,292	\$ 18,027	\$ 5,382	\$ 453,701
Computer software and maintenance	18,011	1,000	1,000	20,011
Rent, utilities and cleaning	10,245	4,392	-	14,637
Professional fees	4,025	9,175	-	13,200
Fundraising event direct costs	-	-	5,580	5,580
Telephone and internet	1,635	2,118	1,164	4,917
Insurance	3,115	1,335	-	4,450
Office equipment	97	2,558	-	2,655
Office supplies	957	1,572	101	2,630
Payroll processing fee	-	2,438	-	2,438
Food and beverage	1,209	1,078	76	2,363
Depreciation	-	2,281	-	2,281
Facility maintenance	399	1,835	-	2,234
Dues and memberships	495	1,078	250	1,823
Printing	-	1,733	-	1,733
Bank and credit card fees	207	1,188	-	1,395
Postage	-	927	-	927
Mediation training	800	-	-	800
Other	294	497	4	795
Professional development	350	-	-	350
Marketing and website	-	-	-	-
Mediation fee reimbursement	-	-	-	-
Total functional expenses	\$ 472,131	\$ 53,232	\$ 13,557	\$ 538,920

The accompanying notes are an integral part of these financial statements.

**NASHVILLE CONFLICT RESOLUTION CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

		Supporting Services		
	Program	Management	Fund-	
	Services	and	raising	Total
		General		
Compensation, benefits and taxes	\$ 423,451	\$ 7,664	\$ 6,182	\$ 437,297
Computer software and maintenance	12,195	238	-	12,433
Rent, utilities and cleaning	12,686	1,409	-	14,095
Professional fees	-	9,100	-	9,100
Fundraising event	-	-	9,185	9,185
Telephone	1,302	1,555	-	2,857
Insurance	1,054	3,189	-	4,243
Office equipment	2,067	1,124	-	3,191
Office supplies	2,411	127	93	2,631
Payroll processing fee	-	2,270	-	2,270
Food and beverage	2,581	119	223	2,923
Depreciation	-	1,756	-	1,756
Facility maintenance	1,798	401	-	2,199
Dues and memberships	488	76	-	564
Printing	2,731	173	287	3,191
Bank and credit card fees	308	562	-	870
Postage	779	189	-	968
Mediation training	2,994	-	-	2,994
Other	1,479	1,039	240	2,758
Professional development	150	726	525	1,401
Marketing and website	419	10,027	1,079	11,525
Mediation fee reimbursement	1,000	-	-	1,000
Total functional expenses	\$ 469,893	\$ 41,744	\$ 17,814	\$ 529,451

The accompanying notes are an integral part of these financial statements.

**NASHVILLE CONFLICT RESOLUTION CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 19,854	\$ 74,593
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	2,281	1,756
(Increase) decrease in operating assets		
Accounts receivable	(6,774)	11,695
Prepaid expenses	-	1,013
Increase (decrease) in operating liabilities		
Accounts payable	(670)	(3,318)
Accrued expenses	317	185
	<u>15,008</u>	<u>85,924</u>
Net Cash Provided by Operating Activities		
	<u>15,008</u>	<u>85,924</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	<u>(1,716)</u>	<u>-</u>
	<u>(1,716)</u>	<u>-</u>
Net Cash Used In Investing Activities		
	<u>(1,716)</u>	<u>-</u>
INCREASE IN CASH	13,292	85,924
CASH, BEGINNING OF THE YEAR	<u>266,053</u>	<u>180,129</u>
CASH, END OF THE YEAR	<u><u>\$ 279,345</u></u>	<u><u>\$ 266,053</u></u>

The accompanying notes are an integral part of these financial statements.

**NASHVILLE CONFLICT RESOLUTION CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and the disclosures of commitments and contingencies. Actual results could differ from those estimates.

Income Taxes

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

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Center. The Center uses the allowance method to determine uncollectible unconditional contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire during the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Revenue Recognition

Government grants are considered exchange transactions and accordingly revenue is recognized in the period in which the Center incurs and bills for the associated reimbursable costs. Fee income is collected and recognized at the time the training and educational services are provided.

Cash

Cash consists of checking deposits in a financial institution.

**NASHVILLE CONFLICT RESOLUTION CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment and Depreciation

The Center follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$500. Donations of furniture and equipment are recorded as revenues at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful life of three to ten years and is computed on the straight-line method.

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Total net assets and changes in net assets are unchanged due to these reclassifications.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable represent amounts owed from government grants and foundation grants. Accounts receivable are considered current since they are expected to be collected within one year. No allowance for uncollectible receivables was deemed necessary as of June 30, 2018 and 2017.

Accounts receivable consist of the following as of June 30:

	2018	2017
State of Tennessee	\$ 12,874	\$ 11,362
Metro Dollar Bill grant	11,774	11,512
Foundation grant	10,000	5,000
	<u>\$ 34,648</u>	<u>\$ 27,874</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2018	2017
Furniture	\$ 3,079	\$ 3,079
Equipment	6,707	6,059
Leasehold improvements	1,370	1,370
	11,156	10,508
Accumulated depreciation	(8,897)	(7,684)
	<u>\$ 2,259</u>	<u>\$ 2,824</u>

**NASHVILLE CONFLICT RESOLUTION CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 4 - PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense was \$2,281 and \$1,756 for the years ended June 30, 2018 and 2017, respectively.

NOTE 5 - RESTRICTED NET ASSETS

The temporary restrictions on net assets at June 30, 2018 and 2017 are attributable to grants for the following fiscal year's programming.

There were no permanently restricted net assets as of June 30, 2018 and 2017.

NOTE 6 - LEASING ARRANGEMENTS

The Center has a month-to-month lease with Southminster Presbyterian for the main floor of a house that the Center uses for administrative offices and mediation meeting space. The lease calls for monthly payments of \$900 for a total of \$10,800 for the years ended June 30, 2018 and 2017.

The Center has entered into an operating lease for an office copier. A schedule of future minimum lease payments under these operating leases are as follows for the years ending June 30:

2019	\$ 2,124
2020	2,124
2021	2,124
2022	<u>177</u>
Total	<u>\$ 6,549</u>

Rent expense for the office copier was \$2,124 for the years ended June 30, 2018 and 2017.

NOTE 7 - DONATED GOODS AND SERVICES

Much of the Center's mediation services and education is provided by volunteers that have undergone extensive mediation training that meets or exceeds the training standards set by Tennessee Supreme Court's Rule 31. The Center reflects these services on the statements of activities since these volunteers provide specialized, professional services.

The following in-kind contributions of goods and services have been included in unrestricted revenues and expenses in the financial statements for the year ended June 30:

	2018	2017
Mediation services	\$ 218,600	\$ 224,000
Software subscription	<u>18,000</u>	<u>10,000</u>
	<u>\$ 236,600</u>	<u>\$ 234,000</u>

**NASHVILLE CONFLICT RESOLUTION CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 7 - DONATED GOODS AND SERVICES (CONTINUED)

Additionally, donated goods and services used in fundraising events have been included in fundraising revenues and expenses totaling \$2,500 and \$7,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE 8 - CONCENTRATIONS

Of the Center's total revenues and support for 2018, approximately 20% (18% for 2017) represents funds received from one government contract. Additionally, in-kind contributions of goods and services totaled 43% of the 2018 (40% of the 2017) total revenues and support.

The Center has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$29,000 and \$16,000 at December 31, 2018 and 2017, respectively. The Center maintains its cash with a high quality financial institution which the Center believes limits these risks.

NOTE 9 - RECENT ACCOUNTING PRONOUNCEMENTS

In August, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, that is intended to improve financial reporting relating to liquidity, financial performance and cash flows. More specifically, the changes affect net asset classifications by reflecting two classifications of net assets, one "without donor-imposed restrictions" and one "with donor-imposed restrictions," which differ from the traditional classifications of unrestricted, temporarily restricted, and permanently restricted. In addition, reporting of expenses by both natural and functional classification is required and investment returns must be reflected net of related investment expenses. The cash flow statement is also allowed to be restructured by using the direct method of reporting and there are further disclosures regarding an organization's liquidity. The new standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Center is currently evaluating the effect that implementation of the new standard will have on its financial statements in the subsequent years.

In August 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 will result in treatment of most government grants as donor-restricted conditional contributions rather than exchange transactions and applies to all entities that make or receive contributions. The new standard also clarifies the criteria for evaluating whether contributions are unconditional or conditional. The Center does not expect the timing of grant or gift revenue recognition to change significantly as a result of this ASU. The Center will implement ASU 2018-08 in fiscal 2020.

**NASHVILLE CONFLICT RESOLUTION CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 10 - EVALUATION OF SUBSEQUENT EVENTS

The Center has evaluated subsequent events through December 4, 2018 which is the date the financial statements were available to be issued.