NURTURE THE NEXT

Financial Statements and Supplementary Information

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

LBMC

NURTURE THE NEXT

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Nurture The Next:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Nurture The Next (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, 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, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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 *Auditors' 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 opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state grant awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information 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 financial statements. The other information comprises the Schedule of Board Members and Management, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and, accordingly, we do not express an opinion or provide any assurance on that information.

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 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 12, 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.

LBMC, PC

Brentwood, Tennessee
December 12, 2023

NURTURE THE NEXT

Statements of Financial Position

June 30, 2023 and 2022

Assets

	2023	2022
Current assets:		
Cash and cash equivalents	$ 1,262,568	$ 821,142
Cash restricted for fiscal sponsorships	258,912	352,712
Grants receivable	1,195,093	1,265,053
Other accounts receivable	756,446	46,609
Prepaid expenses and other current assets	29,043	23,288
Total current assets	3,502,062	2,508,804
Operating lease right-of-use assets	588,773	-
Total assets	$ 4,090,835	$ 2,508,804

Liabilities and Net Assets

	2023	2022
Current liabilities:		
Accounts payable	$ 165,712	$ 177,097
Accrued wages and benefits	58,020	90,362
Other accrued expenses	162,996	56,729
Funds held for fiscal sponsorships	258,912	352,712
Current portion of operating lease liabilities	107,531	-
Total current liabilities	753,171	676,900
Operating lease liabilities, excluding current portion	487,379	-
Total liabilities	1,240,550	676,900
Net assets without donor restrictions	2,850,285	1,831,904
Total liabilities and net assets	$ 4,090,835	$ 2,508,804

See accompanying notes to the financial statements.

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Statements of Activities and Changes in Net Assets

Years ended June 30, 2023 and 2022

	2023	2022
Changes in net assets without donor restrictions:		
Revenues:		
Grants	$ 5,675,538	$ 5,405,417
Contributions	794,419	648,374
In-kind contributions	192,109	91,338
Other income	12,423	26,637
Employee retention tax credits (Note 10)	749,333	-
Total revenues	7,423,822	6,171,766
Expenses:		
Programs	5,798,562	5,533,043
Management and general	342,653	191,900
Fundraising	264,226	213,658
Total expenses	6,405,441	5,938,601
Change in net assets without donor restrictions	1,018,381	233,165
Net assets at beginning of year	1,831,904	1,598,739
Net assets at end of year	$ 2,850,285	$ 1,831,904

See accompanying notes to the financial statements.

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Statement of Functional Expenses

Year ended June 30, 2023

	Parent Leadership	Healthy Start / Healthy Families	Nurturing Parents	VOCA	Stewards of Children	Building Strong Brains	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 129,352	$ 2,531,725	$ 143,524	$ 524,873	$ 15,827	$ 48,842	$ 3,394,143	$ 66,122	$ 114,492	$ 3,574,757
Fringe benefits	32,815	711,378	31,599	98,293	3,214	11,152	888,451	4,441	26,699	919,591
Professional fees	13,346	341,426	7,288	56,880	1,340	2,989	423,269	164,889	13,173	601,331
Supplies	9,706	142,424	5,102	8,784	2,624	1,477	170,117	2,996	4,546	177,659
Telephone	1,807	44,243	1,907	17,717	261	520	66,455	3,971	799	71,225
Postage	159	1,193	28	523	4	25	1,932	134	2,366	4,432
Rent	8,756	135,036	5,908	7,404	1,067	3,277	161,448	6,975	4,564	172,987
In-kind rent	-	51,324	-	-	-	-	51,324	51,324	-	102,648
Printing	246	7,446	730	211	80	286	8,999	78	9,384	18,461
Travel and conferences	21,898	163,638	4,085	8,430	995	1,773	200,819	5,070	8,125	214,014
Insurance	585	12,280	520	2,840	70	200	16,495	(1,387)	338	15,446
Technology	2,110	150,864	2,165	13,401	106	351	168,997	254	9,680	178,931
Parent stipends	13,512	168,265	12,000	-	-	1,200	194,977	-	-	194,977
Other	779	46,312	608	3,243	88	106	51,136	37,786	70,060	158,982
Total expenses	$ 235,071	$ 4,507,554	$ 215,464	$ 742,599	$ 25,676	$ 72,198	$ 5,798,562	$ 342,653	$ 264,226	$ 6,405,441

See accompanying notes to the financial statements.

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Statement of Functional Expenses

Year ended June 30, 2022

	Parent Leadership	Healthy Start / Healthy Families	Nurturing Parents	VOCA	Stewards of Children	Building Strong Brains	Other Programs	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 107,051	$ 2,604,617	$ 128,164	$ 495,437	$ 34,769	$ 25,970	$ -	$ 3,396,008	$ 86,150	$ 109,436	$ 3,591,594
Fringe benefits	22,885	758,904	25,500	88,359	5,265	2,830	-	903,743	10,644	25,379	939,766
Professional fees	4,364	200,253	7,760	110,904	1,484	31,796	-	356,561	78,735	6,468	441,764
Supplies	3,879	140,875	2,503	23,881	4,268	28,841	-	204,247	1,364	8,357	213,968
Telephone	1,707	45,968	1,323	17,115	338	114	-	66,565	5,548	1,591	73,704
Postage	202	1,659	26	168	12	4	-	2,071	74	2,023	4,168
Rent	5,824	144,971	4,922	2,240	2,514	728	-	161,199	1,887	4,651	167,737
Printing	688	8,382	290	911	53	57	-	10,381	38	6,532	16,951
Travel and conferences	4,825	131,762	3,146	26,131	428	266	-	166,558	4,313	8,300	179,171
Insurance	378	13,267	372	2,450	162	40	-	16,669	685	431	17,785
Technology	1,723	118,904	1,674	34,888	727	197	-	158,113	(2,222)	1,913	157,804
Parent stipends	3,855	5,485	9,000	-	-	-	-	18,340	-	-	18,340
Other	496	68,546	1,538	577	93	1,338	-	72,588	4,684	38,577	115,849
Total expenses	$ 157,877	$ 4,243,593	$ 186,218	$ 803,061	$ 50,113	$ 92,181	$ -	$ 5,533,043	$ 191,900	$ 213,658	$ 5,938,601

See accompanying notes to the financial statements.

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Statements of Cash Flows

Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 1,018,381	$ 233,165
Adjustments to reconcile change in net assets to net cash and cash equivalents and restricted cash provided by operating activities:		
Non cash lease expense	6,137	-
Gain on disposal of property and equipment	-	(154)
Decrease (increase) in operating assets:		
Grants receivable	69,960	350,783
Other accounts receivable	(709,837)	(44,876)
Prepaid expenses and other current assets	(5,755)	(2,234)
Increase (decrease) in operating liabilities:		
Accounts payable	(11,385)	108,083
Accrued wages and benefits	(32,342)	(115,420)
Other accrued expenses	106,267	3,799
Funds held for fiscal sponsorship liability	(93,800)	84,042
Net cash provided by operating activities	347,626	617,188
Cash flows from investing activities -		
Proceeds from disposal of property and equipment	-	1,402
Increase in cash and cash equivalents and restricted cash	347,626	618,590
Cash, cash equivalents and restricted cash at beginning of year	1,173,854	555,264
Cash, cash equivalents and restricted cash at end of year	$ 1,521,480	$ 1,173,854

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

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

	2023	2022
Cash and cash equivalents	$ 1,262,568	$ 821,142
Cash restricted for fiscal sponsorships	258,912	352,712
	$ 1,521,480	$ 1,173,854

During 2023 the Organization did not pay interest on the line of credit. During 2022 the Organization paid $4,339 in interest.

See accompanying notes to the financial statements.

(1) Nature of activities

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

(2) Summary of significant accounting policies

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

(a) Recently adopted accounting standard

On January 1, 2022, the Organization adopted the cumulative accounting standard updates initially issued by the Financial Accounting Standards Board ("FASB") in February 2016 that amend the accounting for leases and are codified as Accounting Standards Codification ("ASC") Topic 842. These changes to the lease accounting model require operating leases be recorded on the statement of financial position through recognition of a liability for the discounted present value of future fixed lease payments and a corresponding right-of-use (“ROU”) asset. The ROU asset recorded at commencement of the lease represents the right to use the underlying asset over the lease term in exchange for the lease payments. Leases with an initial term of 12 months or less that do not have an option to purchase the underlying asset that is deemed reasonably certain to be exercised are not recorded on the statement of financial position; rather, rent expense for these leases is recognized on a straight-line basis over the lease term, or when incurred if a month-to-month lease. The Organization’s leases do not contain any material residual value guarantees or material restrictive covenants.

The Organization elected the amended transition requirements allowed for in ASC 842, which provide entities relief by allowing them not to recast prior comparative periods. As a result, the prior year comparative financial statements have not been restated to reflect the adoption of ASC 842. Additionally, the Organization elected the package of practical expedients available in ASC 842 upon adoption whereby an entity need not reassess expired contracts for lease identification or classification as a finance or operating lease, or for the reassessment of initial direct costs. The Organization has not elected the practical expedient to use hindsight to determine the lease term for its leases at transition. The Organization also elected the accounting policy practical expedient to utilize the risk free rate in place of the incremental borrowing rate on leases in which an implicit rate is not readily-available.

The adoption of ASC 842 resulted in recognition of an operating lease liability and a related ROU asset of approximately $708,000 on July 1, 2022, with no cumulative adjustment to net assets.

(b) Cash and cash equivalents

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

(c) Receivables and credit policies

Substantially all receivables are from grantors. The carrying amount of receivables is reduced by a valuation allowance, if necessary, which reflects management's best estimate of the amounts that will not be collected. The allowance is estimated based on management's knowledge of its grantors and customers, historical loss experience and existing economic conditions. Late or interest charges on delinquent accounts are not recorded until collected. Receivables are written-off when, in management's opinion, all collection efforts have been exhausted. As of June 30, 2023 and 2022, no valuation allowance was deemed necessary by management.

(d) Property and equipment

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

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

(e) Income taxes

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

As of June 30, 2023 and 2022, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization’s policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Organization files a U.S. Federal information tax return. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization's informational tax returns are generally open to audit for a period of three years from the original filing date.

(f) Net assets

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

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor-imposed restrictions.

The Organization's Board of Directors has designated certain net assets totaling approximately $774,000 at June 30, 2023 without donor restrictions to be designated as a reserve for future operations.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when restrictions expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization has no net assets subject to donor-imposed restrictions at June 30, 2023 or 2022.

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

(g) Contributions and grant revenue

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

In-kind contributions are recorded at fair market value when received and represent contributions of supplies or auction items received from donors. Additionally, individuals volunteer their time and perform a variety of tasks that assist the Organization with program services. Certain contributed services, such as those provided by volunteers trained in social work, require specialized skills and would otherwise need to be purchased if not provided by contribution. See Note 9 for additional information.

(h) Revenue from contracts with customers

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

(i) Fiscal agent

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

(j) Long-lived assets

Management evaluates the recoverability of the investment in long-lived assets when certain triggering events occur and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

(k) Use of estimates

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

(l) Functional allocation of expenses

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

(m) Events occurring after reporting date

The Organization has evaluated events and transactions that occurred between June 30, 2023 and December 12, 2023 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Liquidity and availability

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2023	2022
Cash and cash equivalents	$ 1,262,568	$ 821,142
Cash restricted for fiscal sponsorships	258,912	352,712
Grants receivable	1,195,093	1,265,053
Other accounts receivable	756,446	46,609
Total financial assets at end of year	3,473,019	2,485,516
Less: assets unavailable for general expenditure within one year:		
Cash restricted for fiscal sponsorships	258,912	352,712
Net assets without donor restrictions designated for future operations	743,333	-
Financial assets available to meet cash needs for general expenditures within one year	$ 2,470,774	$ 2,132,804

The net assets designated for certain purposes are not available for general expenditure although these amounts could be made available, if necessary.

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

(4) Credit risk and other concentrations

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

Grants from the State of Tennessee and agencies of the federal government amounted to approximately 73% and 87%, respectively, of the Organization's revenue for the years ended June 30, 2023 and 2022.

(5) Property and equipment

Property and equipment at June 30, 2023 and 2022, consist of the following:

	2023	2022
Equipment	$ 7,000	$ 7,000
Accumulated depreciation	(7,000)	(7,000)
	$ -	$ -

During 2023 and 2022, all property and equipment was fully depreciated. Therefore, the Organization did not recognize any depreciation expense during either fiscal year.

(6) Line of credit

The Organization has a line of credit with a bank. At June 30, 2023, the line of credit provided for borrowings of $750,000. The line of credit bears interest at a variable interest rate equal to the U.S. Prime rate plus 1.0% (9.25% at June 30, 2023), payable monthly. All outstanding principle and unpaid interest is due at maturity on March 24, 2024. The Organization had no borrowings outstanding under the line of credit at June 30, 2023 and 2022.

(7) Retirement plan

The Organization sponsors a defined contribution plan pursuant to Section 403(b) of the IRC of 1986, as amended. Under the terms of the plan, each eligible employee may contribute a percentage of wages subject to certain limitations. The Organization may match employee contributions at its discretion. The Organization made contributions in the amount of $48,976 and $35,642 in 2023 and 2022, respectively.

(8) Leases

The Organization leases office space and equipment under operating leases. The lease agreements generally requires the Organization to pay maintenance, repairs, property taxes and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Variable costs are not included in the determination of the ROU asset or lease obligation.

The components of lease cost and rent expense for the year ended June 30, 2023 are as follows:

Operating lease expense	$	125,038
Short-term lease expense (or variable)		47,949
Total operating lease costs	$	172,987

The weighted-average remaining lease term and discount rate for the operating leases are 5.39 years and 2.91% for the year ended June 30, 2023.

Operating cash flow for the operating lease payments included in the measurement of lease liabilities was approximately $131,762 for the year ended June 30, 2023.

A summary of future minimum payments under these leases as of June 30, 2023 is as follows:

Year		Amount
2024	$	123,392
2025		113,427
2026		113,649
2027		115,922
2028		118,241
2029 and later years		59,706
Total undiscounted cash flows		644,337
Less: present value discount		(49,427)
Less: lease obligation, current portion		(107,531)
Long-term operating lease obligation	$	487,379

Prior to the adoption of ASC 842, the Organization accounted for its lease arrangements under ASC 840, *Leases*, with no right-of-use assets or lease liabilities reflected on the statements of financial position. Rent expense recognized in fiscal year 2022 was approximately $168,000.

(9) In-Kind contributions

For the years ended June 30, 2023 and 2022, in-kind contributions recognized within the statements of activities and changes in net assets are as follows:

	2023	2022
Donated goods	$ 40,284	$ 16,851
Rent	102,648	1,020
Services - volunteer	42,982	71,007
Services - painting	6,195	2,460
Totals	$ 192,109	$ 91,338

The Organization recognized in-kind contributions within revenue, including household goods, rent, volunteer service hours, and services performed by a painter. Unless otherwise noted, in-kind contributions did not have donor-imposed restrictions.

Donated goods consist primarily of clothing, furniture, household items, and baby products which are valued based on similar goods at thrift store or other observable resale values. Donated goods, excluding baby products, are sold at the Organization's silent auction. Contributed baby products are not monetized but utilized in providing the Organization's charitable services.

Donated rent represents the office or program space provided by third-parties for free or below market values. The Organization values the rent at estimated market values based on similar space in the same geographic area and is used as office space or to provide its services.

Contributed services recognized are comprised of professional services from painters and volunteers performing various tasks that the Organization would otherwise have to pay for and require some level of specialized skills. These services are valued at the estimated rates for similar services provided by the professionals.

(10) Employee retention tax credits

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) provides an employee retention credit, which is a refundable tax credit against certain employment taxes, for employers meeting certain requirements. During the year ended June 30, 2023, the Organization determined it was eligible for the refundable employee retention credit related to wages paid during fiscal years ended June 30, 2021 and 2020 and recognized $749,333 as revenue on the Organization's statement of activites and changes in net assets. The full employee retention credit receivable was outstanding at June 30, 2023 and is recorded in other accounts receivable in the Organization's 2023 statement of financial position. The employee retention credit receivable was collected subsequent to June 30, 2023. The returns filed to claim the credits are subject to audit by the Internal Revenue Service for five years from the date of filing.

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Schedule of Expenditures of Federal and State Grant Awards

Year ended June 30, 2023

Federal Assistance Listing Number	Grantor / Pass-Through Entity / Program	Grant Number	Receivable Balance June 30, 2022	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2023
	FEDERAL AWARDS					
	U.S. Dept. of Justice					
	Pass-through from Tennessee Department of Finance and Administration					
16.575	Child Abuse Prevention Program - VOCA	184785983	$ 214,544	$ 735,617	$ 601,718	$ 80,645
93.671	Core State Violence and Injury Prevention Program	GR1959307	34,797	141,938	123,395	16,254
	Total U.S. Dept. of Justice		249,341	877,555	725,113	96,899
	U.S. Dept. of Health and Human Services					
	Pass-through from Tennessee Department of Health					
93.558	Healthy Families - Temporary Assistance for Needy Families State Programs	GR-22-72038	302,710	1,328,594	1,325,000	299,116
93.558	Healthy Families - Temporary Assistance for Needy Families State Programs	GR-22-72054	68,212	250,993	253,363	70,582
	Total program		370,922	1,579,587	1,578,363	369,698
93.870	Healthy Families - Maternal, Infant and Early Childhood Home Visiting Grant Program	GR-22-72065	444,045	1,098,101	654,056	-
93.870	Healthy Families - Maternal, Infant and Early Childhood Home Visiting Grant Program	GR-22-74540	-	1,171,188	1,627,931	456,743
93.870	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	GR-23-76587	-	143,453	173,910	30,457
	Total program		444,045	2,412,742	2,455,897	487,200
	Pass-through from Tennessee Department of Children's Services					
93.590	CBCAP ARP - Davidson	76348	-	15,190	25,000	9,810
93.590	CBCAP ARP - Mid Cumberland	76347	-	14,898	25,000	10,102
93.590	CBCAP ARP - East	76348	-	13,159	25,000	11,841
93.590	CBCAP ARP - Tennessee Valley	76346	-	14,188	25,000	10,812
93.590	Nurturing Parents - Mid Cumberland	57594	4,452	20,188	20,500	4,764
93.590	Nurturing Parents - Tennessee Valley	57305	5,465	20,800	20,500	5,165
93.590	Nurturing Parents - Davidson	57637	5,791	21,826	20,500	4,465
93.590	Nurturing Parents - East	57637	-	16,589	20,500	3,911
93.590	Stewards of Children - Davidson	57638	1,917	6,566	6,150	1,501
93.590	Stewards of Children - Smokey	57552	621	621	-	-
93.590	Stewards of Children - Knox	57289	940	940	-	-
93.590	Stewards of Children - East	57276	-	2,410	4,100	1,690
93.590	Parent Leadership	57768	7,416	83,093	95,500	19,823
	Total program		26,602	230,468	287,750	83,884
	Total U.S. Dept. of Health and Human Services		841,569	4,222,797	4,322,010	940,782
	Total federal awards		1,090,910	5,100,352	5,047,123	1,037,681

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

NURTURE THE NEXT

Schedule of Expenditures of Federal and State Grant Awards

Year ended June 30, 2023

Federal Assistance Listing Number	Grantor / Pass-Through Entity / Program	Grant Number	Receivable Balance June 30, 2022	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2023
	STATE AWARDS					
N/A	Tennessee Department of Children's Services					
	Healthy Start	59315	68,743	346,960	364,700	86,483
	Nurturing Parents - Mid Cumberland	57594	10,901	33,546	29,500	6,855
	Nurturing Parents - Tennessee Valley	57305	13,380	35,448	29,500	7,432
	Nurturing Parents - Davidson	57637	14,178	37,253	29,500	6,425
	Nurturing Parents - East	74525	-	23,871	29,500	5,629
	Stewards of Children - Davidson	57638	4,693	11,365	8,850	2,178
	Stewards of Children - Knox	57289	1,520	1,520	-	-
	Stewards of Children - East	57276	2,302	5,770	5,900	2,432
	Parent Leadership	57768	6,123	29,500	29,500	6,123
	Building Strong Brains	63446	40,269	93,224	71,621	18,666
	Total state awards		162,109	618,457	598,571	142,223
	Total federal and state awards		$ 1,253,019	$ 5,718,809	$ 5,645,694	$ 1,179,904

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

Notes to the Schedule of Expenditures of Federal and State Grant Awards

Year ended June 30, 2023

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

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

The Organization did not receive or expend any Federal or State awards during fiscal year 2023 in the form of non-cash assistance or provide any funds to subrecipients.

The Organization elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

The expenditure threshold for classification as a Type A program is $750,000.

(3) Reconciliation to Statement of Financial Position and Statement of Activities and Changes in Net Assets

Total receivable balance at June 30, 2023 per the Schedule	$ 1,179,904
Metropolitian Nashville grants receivable	15,297
Grants receivable at June 30, 2023 per Statement of Financial Position	$ 1,195,201
Total Federal and State amounts earned per the Schedule	$ 5,645,694
Metropolitian Nashville grants earned	29,844
Total of "Grant revenue" included in the Statement of Activities and Changes in Net Assets	$ 5,675,538

NURTURE THE NEXT

Schedule of Board Members and Management

June 30, 2023

Board Members

Tony Jones, Board Chair
Kinika Young, Incoming Board Chair
Mark Tinsey, Immediate Past Chair
Amy Goode, Secretary
Adam Ackerman, Treasurer
Kristen Davis, President & CEO

Kelli Bjork
Stephanie Conger
Joel Defoor
Gino DeSalvatore
Patrick Farrell
Dr. Rosemary Hunter
Meg McWhorter
Charlane Oliver
Jon Perkins
Greer Redden
Joe Saig
Chad Shaw
Kirk Stanley
Eric Strickland
Ashok Sudarsahn
Mario Vangeli
Mary Beth West
Dan Williamson
Kelly-Ann Woods

Members of Management

Kristen Davis, President & CEO
Katherine Snyder, CFO
Melanie Scott, Chief Development Officer
Jennifer Vaida, Chief Strategy Officer
Heather Thompson, Human Resources Director
Tara Gordon, Program Officer
Jared Elzey, Vice-President of Programs
Jonathon Matthews, Communications Manager

LBMC

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

The Board of Directors of
Nurture The Next:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Nurture The Next (the "Organization"), which comprise the statement of financial position as of June 30, 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 12, 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

LBMC, PC

Brentwood, Tennessee
December 12, 2023

LBMC

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

The Board of Directors of
Nurture The Next:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Nurture The Next's (the "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 onthe Organization's major federal program for the year ended June 30, 2023. The Organization's major federal program is identified in the summary of auditors' 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 its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); 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 *Auditors' 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 the 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 audit opinion on compliance for the major federal program. Our audit does not provide a legal determination of Organization's compliance with the compliance requirements referred to above.

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 grants agreements applicable to the Organization's federal programs.

Auditors' 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 GAAS, *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 the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 consider 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 to 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 identify during the audit.

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 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 *Auditors' 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.

LBMC, PC

Brentwood, Tennessee
December 12, 2023

NURTURE THE NEXT

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

Year ended June 30, 2023

SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___yes	_x_ no
Significant deficiency(ies) identified?	___yes	_x_ none reported
Noncompliance material to financial statements noted?	___yes	_x_ no

Federal Awards

Internal control over the major program:		
Material weakness(es) identified?	___yes	_x_ no
Significant deficiency(ies) identified?	___yes	_x_ none reported
Type of auditors' report issued on compliance for the major program		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___yes	_x_ no

Identification of the major program for the Organization for the fiscal year ended June 30, 2023 are:

Federal Assistance Listing Number	Name of Federal Program
93.870	Maternal, Infant, and Early Childhood Home Visiting Program

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

Auditee qualified as low-risk auditee? _x_ yes ___no

(1) FINANCIAL STATEMENT FINDINGS

None noted

(2) FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

None noted

(3) SUMMARY OF PRIOR AUDIT FINDINGS

None noted