

**NASHVILLE DRUG COURT SUPPORT
FOUNDATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nashville Drug Court Support Foundation, Inc.
Nashville, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of Nashville Drug Court Support Foundation, Inc. which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of changes in net assets and functional expense, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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, I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Drug Court Support Foundation, Inc. as of December 31, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal and state awards and the Roster of Board and Management as required by Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 19, 2019 on my consideration of Nashville Drug Court Support Foundation, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of my 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 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 Nashville Drug Court Support Foundation, Inc.'s internal control over financial reporting and compliance.

A J Farmer, CPA

Franklin, Tennessee
June 30, 2021

NASHVILLE DRUG COURT SUPPORT FOUNDATION, INC
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash-equivalents	\$ 428,032	547,028
Accounts receivable	88,252	95,323
	<hr/>	<hr/>
Total current assets	516,284	642,351
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT		
Building	179,703	179,703
Equipment	83,898	83,898
Vehicles	46,263	46,263
Less accumulated depreciation	200,302	194,883
	<hr/>	<hr/>
Total property and equipment	109,562	114,981
	<hr/>	<hr/>
Total Assets	\$ 625,846	757,332
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,038	1,038
Accrued expense	45,289	39,080
Line of credit	47,000	37,000
Mortgage payable	-	7,234
Current portion of mortgage payable	<hr/>	<hr/>
Total current liabilities	93,327	84,352
	<hr/>	<hr/>
Long term debt - mortgage payable	-	64
	<hr/>	<hr/>
Total Liabilities	93,327	84,416
	<hr/>	<hr/>
NET ASSETS		
Net assets without donor restrictions	532,519	673,046
	<hr/>	<hr/>
Total liabilities and net assets	\$ 625,846	757,462
	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements

NASHVILLE DRUG COURT SUPPORT FOUNDATION
COMPARATIVE STATEMENTS OF CHANGES IN NET ASSETS AND FUNCTIONAL EXPENSE
YEARS ENDED DECEMBER 31, 2020 AND 2019

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2020	2019
Support and revenue		
Grants and contracts	\$ 1,238,843	1,447,337
Contributions	26,528	37,078
Other income	60	66
Total support and revenue	1,265,431	1,484,481
FUNCTIONAL EXPENSE		
Program expense		
Payroll	672,202	697,614
Payroll tax	47,787	48,468
Contract labor and professional fees	234,013	299,125
Depreciations	5,419	9,643
Education	8,106	9,928
Medical	16,944	22,545
Drug testing	1,843	2,491
Vocational rehabilitation	44,673	41,474
Specific assistance to residents	6,857	1,739
Environmental	19,249	16,703
Rent	15,000	14,100
Utilities	8,836	8,419
Food for residents	92,220	93,266
Resident incentives	3,185	19,951
Miscellaneous	10,589	11,641
Total program expense	1,186,923	1,297,107
Management and general expense		
Bank service charge	342	246
Background checks	323	331
License and permits	240	410
Dues and subscriptions	420	250
Postage and delivery	1,179	2,980
Office supplies	7,822	17,538
Interest	1,731	3,415
Employee benefits and workers comp and SUI	11,628	12,309
Insurance	31,829	30,783
Printing and reproduction	-	395
Payroll	108,631	112,738
Payroll tax	11,947	12,117
Professional fees	10,370	12,195
Telephone	17,648	16,730
Travel	8,550	21,052
Total management and general expense	212,660	243,489
Fundraising expense	6,376	3,284
Total expense	1,405,959	1,543,880
Increase (decrease) in net assets without donor restrictions	(140,528)	(59,399)
Net assets beginning of year	673,047	732,446
Net assets end of year	\$ 532,519	673,047

See notes to financial statements

NASHVILLE DRUG COURT SUPPOERT FOUNDATION
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (140,528)	(59,399)
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities		
Depreciation	5,419	9,643
(Increase) decrease in accounts recivablw	7,071	25,487
Increase (decrease) in accounts payable	-	1
Increase (decrease) in accrued liabilities	6,209	18,046
	<hr/>	<hr/>
Total adjustments	18,699	53,177
	<hr/>	<hr/>
Net cash provided (used) by operating activities	(121,829)	(6,222)
	<hr/>	<hr/>
Cash Flows From Investing Activities		
Acquisition of plant property and equipment	-	-
	<hr/>	<hr/>
Net cash used by investing activities	-	-
	<hr/>	<hr/>
Cash Flows From Financing Activites		
Net cash provided by financing activities	2,833	-
	<hr/>	<hr/>
Increase (decrease) in cash	(118,996)	(6,222)
	<hr/>	<hr/>
Cash beginning of year	547,028	553,250
	<hr/>	<hr/>
Cash end of year	\$ 428,032	547,028
	<hr/>	<hr/>

See notes to financial statements

Nashville Drug Court Support Foundation, Inc.

Notes to Financial Statements

1. ORGANIZATION AND NATURE OF BUSINESS

Nashville Drug Court Support Foundation, Inc. a Tennessee not-for-profit corporation (the "Organization"), is dedicated to supporting the therapeutic community approach to substance use disorders in the state of Tennessee. This approach was developed as a way rebuild a broken system for non-violent offenders. Focusing on healing the whole person our program helps residents identify behaviors that can lead to substance use disorders then implement a restorative approach to treatment and recovery.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation.

The Organization reports information regarding its financial position and activities in accordance with FASB ASC 958. Under ASC 958 as updated by ASU 2016-14, the organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with no donor restrictions, net assets with donor restrictions which can be temporary or permanent based upon the existence or absence of donor-imposed restrictions. (The Corporation has no assets that meet the definition of net assets with donor restrictions.) In addition, the Corporation reports information regarding contributions in accordance with ASU 2016-14. In accordance with ASU 2016-14, contributions received are recorded as donor restricted, or with no donor restrictions. (The Corporation has received no contributions with donor-imposed restrictions that would result in net assets with donor restrictions.) The Organization adopted ASU 2016-14 effective for the year ended June 30, 2019.

Basis of Accounting.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

New Accounting Pronouncement – On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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. These net assets may be used at the discretion of Corporations management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of operations – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Corporations ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Nashville Drug Court Support Foundation, Inc.

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles and the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all short-term, highly liquid investments with an original maturity date of three months or less to be cash equivalents. All are available for use in current operations.

Property and Equipment

Property and equipment are reported at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Property and equipment are depreciated principally using accelerated methods over their estimated useful lives.

Reclassifications

Certain amounts for the prior year presentation have been reclassified to conform to the current year's presentation.

Long-lived Assets

The Organization periodically reviews the values assigned to long-lived assets to determine if any impairments are other than temporary. Management believes that the long-lived assets in the accompanying statement of assets, liabilities, and net assets are appropriately valued.

• Revenue and Support Nashville Drug Court Support Foundation receives most of its income, approximately 90%, from contract services and grants paid by the State of Tennessee Department of Finance and Administration. The Organization records income due from the State in the period that the applicable expenditures were incurred by the Organization.

Contributions

Contributions received are recorded as donor restricted either temporarily or in perpetuity, contributions without donor restrictions, available for use in the current period, depending on the existence and nature of any donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from donor restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

Nashville Drug Court Support Foundation, Inc.

Notes to Financial Statements

Functional Allocation of Expenses.

The costs of providing the various programs and other activities have been summarized on a functional basis and natural basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. Availability and Liquidity

The following represents The Corporations financial assets at June 30, 2020 and 2019:

Cash and cash equivalents as of December 31, 2020 and 2019 are \$428,032 and \$547,028 respectively.
Accounts receivable as of December 31, 2020 and 2019 are \$88,252 and \$95,323

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$351,500). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. The Organization has a \$47,000 line of credit available to meet cash flow needs.

3. DUE FROM THE STATE OF TENNESSEE:

Nashville Drug Court Support Foundation, Inc. is due monies from the State of Tennessee Department of Finance and Administration for contract services performed. These receivables total \$88,252 and \$95,323 for the years ended December 31, 2020 and 2019 respectively. Due to the timing and nature of receivables it was deemed more effective to test them by verifying subsequent receipts than requesting balance confirmations. These are available for use in current operations

4. MORTGAGE PAYABLE

The Organization had a mortgage payable to Bank as of December 31, 2019 of \$7,298 payable in monthly installments of \$675 including interest at 5%. The final payment is due September 2020 and was paid off at that time The property at 4010 Red Rose Court Nashville, TN collateralized the mortgage.

5. COMMITMENTS

The Organization leased office space for the year ended December 31, 2020 with total lease payments of \$15,000. Minimum monthly lease payments for the office were \$1,150 and the lease is renewable yearly thereafter. The Organization has a line of credit renewable yearly with a facility of \$47,000 and \$45,000 as of December, 31, 2020 and 2019 at a 5% rate of interest secured by property at 4010 Red Rose Court, Nashville, Tennessee.

6. QUESTIONED COSTS / CONTINGENCIES

Questioned costs are those amounts charged to a funded program that may not be in compliance with requirements set forth in contracts, statutes, and regulations governing allowability or eligibility. A questioned cost may not be reimbursed by the State or the State agency may require that the funds already expended be refunded back to the State. These amounts can be "questioned" by the State for the specific grant to which they apply. The final determination as to whether such costs will be allowed or disallowed under the grants will be made by the individual grantor agencies at a later date.

Nashville Drug Court Support Foundation, Inc.
Notes to Financial Statements

7. SUBSEQUENT EVENT

Management has evaluated events and transactions subsequent to the statement of financial position date through the date of the auditor's report, (the date the financial statements were available to be issued), for potential recognition or disclosure in the financial statements. Management has not identified any items requiring disclosure.

8. UNCERTAIN TAX POSITIONS

The Organization follows the accounting guidance for uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by tax authorities. Such tax positions initially and subsequently need to be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. The adoption of FASB ASC 740 did not have a material impact on the Corporation's financial statements. Corporation management has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits. The Corporation's evaluation was performed for tax years that remain subject to examination by major tax jurisdictions as of December 31, 2020.

9. TAX STATUS

The Organization, obtained its determination letter dated June 13, 2008 in which the Internal Revenue Service stated that the Corporation was in compliance with the applicable requirements of Internal Revenue Code Section 501 (c) 3. The Corporation has had no significant modifications of its programs since receiving the determination letter. Management believes that the Corporation is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code and is exempt from federal income tax under IRC Section 501 (a).

SUPPLEMENTAL INFORMATION

NASHVILLE DRUG COURT SUPPORT FOUNDATION
STATEMENT OF FEDERAL AND STATE AWARDS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Program Title	Federal Award Number	Edison ID	Federal Award Amount	State Award Amount	Balance 12/31/2019	(2) Receipts	Federal Disbursements	State Disbursements	Adjustment Over/Under Payment	Total Expenditures	(1) Balance 12/31/2020
State of Tennessee											
Department of Mental Health and Substance Abuse Services		49826		860,000	\$ 81,728	907,907		902,149		902,149	75,970
Department of Mental Health and Substance Abuse Services	93959		75,000	100,000	13,547	166,972	60,872	104,787		165,659	12,234
Alchol and Drug Treatment (ADAT)		58040			48				-		48
					<u>\$ 95,323</u>	<u>1,074,879</u>	<u>60,872</u>	<u>1,006,936</u>	<u>-</u>	<u>1,067,808</u>	<u>88,252</u>

(1) Balance owed NDCSF 12/31/2020

(2) Receipts do not include money earned in fiscal year ended 12/31/2020
not yet received

(3) This schedule is prepared on the accrual basis of accounting

**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***

Independent Auditor's Report

Board of Directors
Nashville Drug Court Support Foundation, Inc.
Nashville, Tennessee

I 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 Nashville Drug Court Support Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expense and cash flows for the years then ended, and the related notes to the financial statements, and have issued my report thereon dated June 30, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements of Nashville Drug Court Support Foundation, Inc., I considered internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, I 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

There were no prior findings reported.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nashville Drug Court Support Foundation, Inc.'s financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Nashville Drug Court Support Foundation, Inc.

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Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

A J Farmer, CPA

Franklin, Tennessee

June 30, 2021

Nashville Drug Court Support Foundation, Inc
Roster of Board and Management
December 31, 2020

Manuel Ben Russ - President
Carol Etherington - Vice President
Amanda Bracht - Secretary
Dr. Tommy Malone - Treasurer
Audrey Pessoni - Board Member
Dr. Xyzeidria Ensley - Board Member
Tommy Mingua Yankton - Board Member
Nancy Kemp Hooper - Board Member
Dr. Michael Baron - Board Member
Breonus Mitchell, Sr. - Board Member
Jeri Holladay Thomas, Executive Director