

COPY

(With Independent Auditor's Report Thereon)

DECEMBER 31, 2014 AND 2013

FINANCIAL STATEMENTS

NASHVILLE DRUG COURT SUPPORT
FOUNDATION, INC.

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Farmer & Associates, PLLC

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 statement of financial position as of December 31, 2014 and 2013, and the related statements of changes in net assets, 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 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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, 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 26, 2015 on my consideration of Nashville Drug Court Support Foundation, Inc. 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 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 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.

Farmer & Associates, PLLC

Franklin, Tennessee
June 26, 2015

NASHVILLE DRUG COURT SUPPORT FOUNDATION, INC
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 524,437	\$ 279,803
Accounts receivable	<u>80,688</u>	<u>115,963</u>
Total Current Assets	<u>605,125</u>	<u>395,766</u>
 PROPERTY AND EQUIPMENT		
Building	179,703	179,703
Machinery and equipment	83,898	58,785
Vehicles	31,300	25,400
Less accumulated depreciation	<u>118,151</u>	<u>99,135</u>
Total Property and Equipment	<u>176,748</u>	<u>164,752</u>
Total Assets	<u><u>\$ 781,875</u></u>	<u><u>\$ 560,519</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 10,347	\$ 16,264
Accrued expense	32,531	9,049
Deferred revenue	-	76,275
Line of credit	30,000	-
Current portion of mortgage payable	<u>6,266</u>	<u>5,930</u>
Total current liabilities	79,144	107,518
Long term liabilities - mortgage payable	<u>34,064</u>	<u>40,292</u>
Total Liabilities	113,207	147,810
 NET ASSETS		
Unrestricted net assets	<u>668,667</u>	<u>412,709</u>
Total Net Assets	<u>668,667</u>	<u>412,709</u>
Total Liabilities and Net Assets	<u><u>\$ 781,875</u></u>	<u><u>\$ 560,519</u></u>

See notes to financial statements.

NASHVILLE DRUG COURT SUPPORT FOUNDATION, INC.
COMPARATIVE STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2014 AND 2013

CHANGES IN UNRESTRICTED NET ASSETS

	2014	2013
Support and revenue		
Grants and contracts	\$ 1,558,251	\$ 777,497
Contributions	51,449	44,951
Special events	-	10,785
Other income	205	602
Total Support and Revenue	<u>1,609,904</u>	<u>833,834</u>
FUNCTIONAL EXPENSE		
Program Expense		
Payroll	461,115	240,827
Payroll tax	35,402	18,305
Contract labor and professional fees	270,361	144,048
Depreciation	18,080	6,667
Education	9,513	3,351
Medical	35,890	9,071
Drug testing	7,067	3,258
Vocational rehabilitation	35,882	10,083
Specific Assistance to Residents	24,222	-
Environmental	3,464	-
Morgan County startup	2,914	15,529
Rent	9,000	9,000
Utilities	6,197	7,915
Food for residents	84,334	20,382
Resident incentive	16,656	12,580
Miscellaneous	57,556	4,471
Total Program Expense	<u>1,077,651</u>	<u>505,488</u>
Management and general expense		
Bank Service charge	215	318
Licenses and permits	457	1,445
Dues and subscriptions	200	201
Postage and delivery	1,208	805
Office supplies	16,646	26,211
Repairs and maintenance	1,114	16,991
Interest	2,849	4,109
Employee benefits	32,334	14,369
Insurance	24,918	17,214
Printing and reproduction	2,623	356
Payroll	115,279	60,207
Payroll tax	8,850	4,576
Professional fees	13,947	9,360
Telephone	21,490	10,093
Travel	28,509	9,738
Total management and general expense	<u>270,640</u>	<u>175,994</u>
Fundraising expense	5,654	10,922
Total expense	<u>1,353,946</u>	<u>692,404</u>
Increase (decrease) in unrestricted net assets	255,959	141,430
Net assets at beginning of year	412,709	271,279
Net assets at end of year	<u>\$ 668,668</u>	<u>\$ 412,709</u>

See notes to financial statements.

NASHVILLE DRUG COURT SUPPORT FOUNDATION, INC
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities	\$ 255,959	\$ 141,430
Increase (decrease) in net assets		
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
Depreciation	19,016	6,667
(Increase) decrease in accounts receivable	35,275	(105,689)
Increase (decrease) in deferred revenue	(76,275)	76,275
Increase (decrease) in accounts payable	(5,917)	13,803
Increase (decrease) in accrued liabilities	23,482	918
Total adjustments	(4,419)	(8,022)
Net Cash Provided (Used) by Operating Activities	251,540	133,408
Cash Flows From Investing Activities	(31,012)	(25,400)
Acquisition of plant, property, and equipment		
Net Cash Used by Investing Activities	(31,012)	(25,400)
Cash Flows From Financing Activities	70,000	47,652
Borrowings		
Payments	(45,892)	(50,563)
Net Cash Provided by Financing Activities	24,108	(2,911)
Increase (decrease) in cash	244,634	105,097
Cash, beginning of year	279,803	174,706
Cash, end of year	\$ 524,437	\$ 279,803
Supplemental disclosures:		
Cash paid for interest	\$ 2,849	\$ 4,109

See notes to the 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"), was organized as a drug treatment program implemented through the Metro Nashville Davidson County Government to provide counseling and medical services to its participants in Metro Government's DC4 program and the Davidson County Mental Health Court, and has subsequently been expanded to provide such services to similar programs in other Tennessee counties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Change in Accounting Principles

The Organization adopted the accrual method of accounting effective January 1, 2013. The change increased the Organization's 2013 loss by amounts not accrued as unpaid liability and the 2013 revenue by amounts earned in 2012 but not accrued yet received in 2013. The change to accrual accounting was made to more clearly match current costs with current revenues. The Organization determined that it is impracticable to determine the cumulative effect of applying this change retrospectively because records are no longer readily available for all prior years and it would be cost prohibitive. However, the Organization has all of the information necessary to apply the accrual method of accounting on a prospective basis beginning in 2013.

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.

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.

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

Revenue and Support

Nashville Drug Court Support Foundation receives most of its income, approximately 70%, from contract services and grants. The Organization records income due from the State in the period that the applicable expenditures were incurred by the Organization regardless of when paid by the State of Tennessee Department of Finance and Administration.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor stipulations that limit the use of the donated assets either on a temporary or permanent basis. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

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.

Functional Allocation of Expenses.

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

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 \$80,688 and \$115,963 for the years ended December 31, 2014 and 2013 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.

4. MORTGAGE PAYABLE

The Organization has a mortgage payable to Bank as of December 31, 2014 of \$40,330 payable in monthly installments of \$675 including interest at 5%. The final payment is due September 2020. The property at 4010 Red Rose Court Nashville, TN collateralizes the mortgage.

Aggregate mortgage payable maturities are as follows for the next five years:

2015	6,266
2016	6,547
2017	6,881
2018	6,964
2019 and thereafter	13,672

5. COMMITMENTS

The Organization leased office space for the year ended December 31, 2014 with total lease payments of \$9,000. Minimum monthly lease payments for the office were \$750 and the lease is renewable yearly.

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

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.

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, 2014.

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, INC.
 SCHEDULE OF FEDERAL AND STATE AWARDS
 YEAR ENDED DECEMBER 31, 2014

Client / Program Title	Federal Award Number	Federal Award Ection ID	Federal Award Amount	State Award Amount	Sum Award	Balance 12/31/2013	Receipts (2)	Federal Disbursements	State Disbursements	Over / Under Payment	Total Expenditures	Balance 12/31/2014
State of Tennessee Department of Mental Health and Substance Abuse Services	42310		500,000	-	500,000	33,357	829,916	-	831,326	-	831,326	58,957
Department of Mental Health and Substance Abuse Services	42307		175,000	-	175,000	39,377	185,247	-	166,481	-	166,481	18,201
Total			675,000	-	675,000	72,734	1,067,183	-	1,020,307	-	1,020,307	68,097
			5		5	119,061	1,067,183	-	1,020,307	-	1,020,307	68,097

(1) Balance owed (NDCSF, Inc. as of June 30, 2014.
 (2) Receipts do not include money earned for the fiscal year ended June 30, 2014 but not yet received.
 but do include with gifts of money (cash/owed, if any).

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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, 2014 and 2013, 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 26, 2015.

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.

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*.

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.

James E. Woodruff, PLLC

Franklin, Tennessee
June 26, 2015

Farmer & Associates, PLLC

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

I have audited the financial statements of Nashville Drug Court Support Foundation, Inc. (the Organization), for the year ended December 31, 2014 and 2013, and have issued my report thereon dated June 26, 2015. Professional standards require that I provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter, my responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2015. I noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Sensitive estimates in these financial statements have to do with plant property and equipment and functional allocation of expense.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of Revenue and Support in Note 2 to the financial statements.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The adjusting journal entries were communicated separately to management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of our audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated June 26, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

MANAGEMENT LETTER COMMENTS:

In planning and performing my audit, I considered internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nashville Drug Court Support Foundation, Inc. internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Nashville Drug Court Support Foundation, Inc. internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

MANAGEMENT LETTER COMMENTS, continued

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

This concludes those communications required by Statement on Auditing Standards Nos. 115 entitled "Communicating Internal Control Related Matters Identified in an Audit" and 114 entitled "The Auditor's Communication With Those Charged With Governance".

This information is intended solely for the use of the Board of Directors and management of Compass Coordination, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Farmer & Associates, PLLC