

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

FINANCIAL STATEMENTS

DECEMBER 31, 2015

(With Independent Auditor's Report Thereon)

TABLE OF CONTENTS

Auditor's Report	Pages 1-2
Comparative Statements of Financial Position	Page 3
Comparative Statements of Changes in Net Assets	Page 4
Comparative Statements of Cash Flows	Page 5
Notes to Financial Statements	Pages 6-8
Schedule of Federal and State Awards	Page 9
Auditor's Report on Internal Control and Compliance	Pages 10-11

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, 2015 and 2014 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 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, 2015 2014 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, 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 15, 2016 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 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.

A J Farmer, CPA

Franklin, Tennessee
June 15, 2016

NASHVILLE DRUG COURT SUPPORT FOUNDATION, INC
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 517,565	\$ 524,437
Accounts receivable	101,535	80,688
Total Current Assets	619,100	605,125
PROPERTY AND EQUIPMENT		
Building	179,703	179,703
Machinery and equipment	83,898	83,898
Vehicles	46,265	31,300
Less accumulated depreciation	140,590	118,151
Total Property and Equipment	169,276	176,748
Total Assets	\$ 788,377	\$ 781,875
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 10,372	\$ 10,347
Accrued expense	32,531	32,531
Deferred revenue	-	-
Line of credit	45,474	30,000
Current portion of mortgage payable	6,615	6,266
Total current liabilities	94,992	79,144
Long term liabilities - mortgage payable	27,517	34,064
Total Liabilities	122,510	113,207
NET ASSETS		
Unrestricted net assets	665,867	668,667
Total Net Assets	665,867	668,667
Total Liabilities and Net Assets	\$ 788,377	\$ 781,875

See notes to financial statements.

NASHVILLE DRUG COURT SUPPORT FOUNDATION, INC.
COMPARATIVE STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2015 AND 2014

CHANGES IN UNRESTRICTED NET ASSETS		2015	2014
Support and revenue			
Grants and contracts		\$ 1,450,945	\$ 1,558,251
Contributions		35,235	51,449
Special events		-	-
Other income		97	205
Total Support and Revenue		<u>1,486,277</u>	<u>1,609,904</u>
FUNCTIONAL EXPENSE			
Program Expense			
Payroll		498,929	388,197
Payroll tax		48,523	35,402
Contract labor and professional fees		230,685	270,361
Depreciation		22,439	18,080
Education		8,196	9,513
Medical		23,938	35,890
Drug testing		18,623	7,067
Vocational rehabilitation		85,727	35,882
Specific Assistance to Residents		12,781	24,222
Environmental		16,232	3,464
Morgan County startup		-	2,914
Rent		11,400	9,000
Utilities		6,791	6,197
Food for residents		87,870	84,334
Resident incentive		21,433	16,656
Miscellaneous		12,410	57,556
Total Program Expense		<u>1,105,977</u>	<u>1,004,733</u>
Management and general expense			
Bank Service charge		474	215
Licenses and permits		-	457
Dues and subscriptions		590	200
Postage and delivery		1,305	1,208
Office supplies		19,993	16,646
Repairs and maintenance		6,820	1,114
Interest		4,706	2,849
Employee benefits		117,586	105,252
Insurance		18,325	24,918
Printing and reproduction		500	2,623
Payroll		124,732	115,279
Payroll tax		12,131	8,850
Professional fees		14,958	13,947
Telephone		21,769	21,490
Travel		34,677	28,509
Total management and general expense		<u>378,566</u>	<u>343,558</u>
Fundraising expense		4,533	5,654
Total expense		<u>1,489,076</u>	<u>1,353,946</u>
Increase (decrease) in unrestricted net assets		(2,799)	255,959
Net assets at beginning of year		668,667	412,708
Net assets at end of year		<u>\$ 665,867</u>	<u>\$ 668,667</u>

See notes to financial statements.

NASHVILLE DRUG COURT SUPPORT FOUNDATION, INC
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (2,799)	255,959
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
Depreciation	22,439	19,016
(Increase) decrease in accounts receivable	(20,847)	35,275
Increase (decrease) in deferred revenue	-	(76,275)
Increase (decrease) in accounts payable	25	(5,917)
Increase (decrease) in accrued liabilities	-	23,482
	<u>1,617</u>	<u>(4,419)</u>
Net Cash Provided (Used) by Operating Activities	<u>(1,182)</u>	<u>251,540</u>
Cash Flows From Investing Activities		
Acquisition of plant, property, and equipment	<u>(14,965)</u>	<u>(31,012)</u>
Net Cash Used by Investing Activities	<u>(14,965)</u>	<u>(31,012)</u>
Cash Flows From Financing Activities		
Borrowings	55,474	70,000
Payments	(46,199)	(45,892)
Net Cash Provided by Financing Activities	<u>9,275</u>	<u>24,108</u>
Increase (decrease) in cash	<u>(6,872)</u>	<u>244,634</u>
Cash, beginning of year	<u>524,437</u>	<u>279,803</u>
Cash, end of year	<u>\$ 517,565</u>	<u>524,437</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 4,706</u>	<u>2,849</u>

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

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.

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.

Nashville Drug Court Support Foundation, Inc.

Notes to Financial Statements

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 \$89,115 and \$80,688 for the years ended December 31, 2015. And 2014 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, 2015 of \$34,130 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:

2016	
2017	6,547
2018	6,881
2019	7,234
2020	7,939
	5,529

5. COMMITMENTS

The Organization leased office space for the year ended December 31, 2015 with total lease payments of \$9,000. Minimum monthly lease payments for the office were \$750 and the lease is renewable yearly thereafter.

The Organization has a line of credit renewable yearly with a balance of \$45,475 as of December, 31, 2015 at a 5% rate of interest secured by property at 4010 Red Rose Court, Nashville, Tennessee.

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, 2015.

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, 2015

Grantor / Program Title	Federal Award Number	Edison ID	Federal Award Amount	State Award Amount	Balance 12/31/2014	(2) Receipts	Federal Disbursements Expenditures	State Disbursements Expenditures	Adjustments for Over / Under Payment	Total Expenditures	(1) Balance 12/31/2014
State of Tennessee											
Department of Mental Health and Substance Abuse Services		46930	-	905,000	55,957	840,995	-	856,058	-	856,058	71,020
Department of Mental Health and Substance Abuse Services	93,959			175,000	13,031	175,751	-	176,460	-	176,460	13,740
Substance Abuse and Mental Health Services Administration	93,243			228,328	-	102,259		119,034		119,034	16,775
Total					\$ 68,988	1,119,004	-	1,151,552		1,151,552	\$ 101,535

(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 write offs of amounts disallowed, if any.

**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 June 30, 2015 and 2014, 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 15, 2016.

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.

A J Jarman, CPA

Franklin, Tennessee

June 15, 2016