

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**

**(With Independent Auditor's Report Thereon)**

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**NDCSF DBA NRCsf BOARD LIST December 2022**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on Audit of the Financial Statements**

#### **Opinion**

I have audited the accompanying financial statements of Nashville Drug Court Support Foundation, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expense and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion the accompanying financial statements present fairly, in all material respects, the financial position of Nashville Drug Court Support Foundation, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Nashville Drug Court Support Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### ***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 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 Nashville Drug Court Support Foundation, Inc. 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***

My 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 auditor's report that includes my 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 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial misstatements, 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 on Nashville Drug Court Support Foundation, Inc'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 my judgement, there are conditions or events, considered in the aggregate that raise substantial doubt about company's ability to continue as a going concern for a reasonable period of time.

I am 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

#### ***Other Information***

Management is responsible for the other information include in the basic financial sttements. The other information comprises the listing of the board of directors but does not include the basic financial statements and my audit report thereon. My opinion on the basic financial statements does not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsability 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 appears to be materially misstated. If based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated June 2, 2023 on my consideration of Nashville Drug Court Support Foundation, Inc'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 Nashville Drug Court Support Foundation, Inc'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 Nashville Drug Court Support Foundation, Inc's internal control over financial reporting and compliance.

*A J Farmer, CPA*

Franklin, Tennessee  
June 2, 2023

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**NASHVILLE DRUG COURT SUPPORT FOUNDATION, INC**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 277,640	201,445
Accounts receivable	176,122	288,503
	<hr/>	<hr/>
Total current assets	453,762	489,948
	<hr/>	<hr/>
<b>PROPERTY AND EQUIPMENT</b>		
Building	179,703	179,703
Equipment	116,583	83,898
Vehicles	46,263	46,263
Less accumulated depreciation	211,050	204,859
	<hr/>	<hr/>
Total property and equipment	131,499	105,005
	<hr/>	<hr/>
Total Assets	\$ 585,261	594,953
	<hr/>	<hr/>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 3,548	3,541
Accrued expense	63,206	42,785
Line of credit	32,000	47,000
	<hr/>	<hr/>
Total current liabilities	98,754	93,326
	<hr/>	<hr/>
Total Liabilities	98,754	93,326
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Net assets without donor restrictions	486,507	501,626
	<hr/>	<hr/>
Total liabilities and net assets	\$ 585,261	594,953
	<hr/>	<hr/>

See notes to financial statements

**NASHVILLE DRUG COURT SUPPORT FOUNDATION**  
**STATEMENTS OF ACTIVITIES AND FUNCTIONAL EXPENSE**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>2022</b>	<b>2021</b>
Support and revenue		
Grants and contracts	\$ 2,230,527	\$ 1,781,740
Contributions	12,539	29,718
Other income	58	153
Total support and revenue	<u>2,243,124</u>	<u>1,811,611</u>
<b>FUNCTIONAL EXPENSE</b>		
Program expense		
Payroll	1,121,894	787,873
Payroll tax	85,630	60,135
Contract labor and professional fees	325,296	306,473
Depreciations	6,191	4,557
Capital purchases	-	-
Education	8,763	21,111
Medical	59,985	23,676
Drug testing	6,630	2,580
Vocational rehabilitation	7,411	6,823
Specific assistance to residents	16,709	18,316
Environmental	32,067	27,703
Rent	11,400	12,000
Utilities	8,299	8,362
Food for residents	128,225	110,068
Resident incentives and activities	2,256	2,188
Miscellaneous	2,430	64,836
Total program expense	<u>1,823,183</u>	<u>1,456,701</u>
Management and general expense		
Bank service charge	14	15
Background checks	116	268
License, dues and permits	41	334
Dues and subscriptions	539	188
Postage and delivery	1,184	1,088
Office supplies	43,903	50,489
Equipment rental and maintenance	27,108	30,917
Interest	2,351	2,925
Workers comp and SUI benefits	13,252	25,933
Insurance	41,872	37,256
Printing and reproduction	895	-
Payroll	207,762	155,929
Payroll tax	14,542	11,695
Professional fees	18,550	17,212
Telephone	26,219	23,072
Travel	35,704	25,658
Total management and general expense	<u>434,053</u>	<u>382,982</u>
Fundraising expense	<u>1,008</u>	<u>2,822</u>
Total expense	<u>2,258,244</u>	<u>1,842,504</u>
Increase (decrease) in net assets without donor restrictions	(15,119)	(30,893)
Net assets beginning of year	501,626	532,519
Net assets end of year	<u>\$ 486,507</u>	<u>\$ 501,626</u>

See notes to financial statements

**NASHVILLE DRUG COURT SUPPOERT FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (15,119)	(30,893)
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities		
Depreciation	6,191	5,419
(Increase) decrease in accounts recivablw	112,381	7,071
Increase (decrease) in accounts payable	7	-
Increase (decrease) in accrued liabilities	20,421	6,209
	<u>139,000</u>	<u>18,699</u>
Total adjustments		
	<u>123,881</u>	<u>(12,194)</u>
Net cash provided (used) by operating activities		
Cash Flows From Investing Activities		
Acquisition of plant property and equipment	<u>(32,685)</u>	<u>-</u>
Net cash used by investing activities	<u>(32,685)</u>	<u>-</u>
Cash Flows From Financing Activites		
Net cash provided (used) by financing activities	<u>(15,000)</u>	<u>2,833</u>
Increase (decrease) in cash	76,196	(9,361)
Cash and cash equivalentents beginning of year	<u>201,445</u>	<u>547,028</u>
Cash and cash equivalentents end of year	<u>\$ 277,640</u>	<u>201,445</u>
Interest paid	<u>\$ 2,351</u>	<u>2,925</u>

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.

In February 2016, the Financial Accounting Standards Board issued accounting standards update ("ASU") 2016-02 "Leases (Topic 842)". Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements.

The Company elected a short-term lease exception policy, which allows entities to not apply the new standard to short-term leases (i.e. leases with terms of 12 months or less) and does not include an option to purchase which the company is reasonably certain to exercise. See note 4.

## **Nashville Drug Court Support Foundation, Inc.**

### **Notes to Financial Statements**

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.

#### 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 98%, from grants paid by the State of Tennessee Department of Finance and Administration. The reimbursement is driven by when the Organization spends the money.

#### Revenue Recognition

Grant income is recognized in the period in which services are provided based on a contractual rate per client per day. Rates paid to us are determined by the State of Tennessee per client based on the level of care required.

#### Revenue Recognition - Nonfinancial Assets

Volunteers have made contributions of their time in furtherance of our mission. These services were not reflected in the accompanying statement of activities because they do not meet the criteria for recognition under US GAAP.

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

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. There were no contributed nonfinancial assets.

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 and natural basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on hours worked in each area.

Advertising

Advertising costs are expensed as incurred.

**2. AVAILABILITY AND LIQUIDITY**

The following represents The Corporations financial assets at June 30, 2022 and 2021:

Cash and cash equivalents as of December 31, 2022 and 2021 are \$277,640 and \$201,445 respectively.  
Accounts receivable as of December 31, 2022 and 2021 are \$176,122 and \$288,503

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$560,000). 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 \$176,122 and \$288,503 for the years ended December 31, 2022 and 2021 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

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

**4. COMMITMENTS**

The Company primarily has operating leases for offices and copiers, which are third-party leases. The Company's leases have remaining lease terms that range from less than one year to one year.

The Organization leased office space for the year ended December 31, 2022 and 2021 with total lease payments of \$11,400 and \$12,000 respectively. Minimum monthly lease payments for the office were \$950 and the lease is renewable yearly thereafter.

The Organization has a line of credit renewable yearly with a facility of \$47,000 and \$47,000 as of December, 31, 2022 and 2021 at a 5% rate of interest secured by property at 4010 Red Rose Court, Nashville, Tennessee.

**5. 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.

**6. SUBSEQUENT EVENT**

Management has evaluated events and transactions subsequent to the statement of financial position date through the date of the auditor's report, June 2, 2023 (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.

**7. 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. Management has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

**8. 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).

**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, 2022, and the related statements of activities, functional expense and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated June 2, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Nashville Drug Court Support Foundation, Inc. internal control over financial reporting (internal control) as a basis for designing 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.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Nashville Drug Court Support Foundation, Inc. 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 2, 2023

**A J Farmer, CPA**

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## **SCHEDULE OF PRIOR YEAR FINDINGS**

There were no prior year findings.