

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

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(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, 2018 and 2017 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, 2018 and 2017 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 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 19, 2019

NASHVILLE DRUG COURT SUPPORT FOUNDATION, INC
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 568,842	\$ 568,244
Accounts receivable	120,810	124,843
	<hr/>	<hr/>
Total Current Assets	689,652	693,087
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT		
Building	179,703	179,703
Machinery and equipment	83,898	83,898
Vehicles	46,265	46,265
Less accumulated depreciation	185,240	172,819
	<hr/>	<hr/>
Total Property and Equipment	124,626	137,047
	<hr/>	<hr/>
Total Assets	<u>\$ 814,278</u>	<u>\$ 830,134</u>
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,038	\$ 6,933
Accrued expense	21,031	37,771
Deferred revenue	-	27,500
Line of credit	45,000	60,000
Current portion of mortgage payable	7,939	7,234
Total current liabilities	<hr/> 75,009	<hr/> 139,437
	<hr/>	<hr/>
Long term liabilities - mortgage payable	6,824	13,517
	<hr/>	<hr/>
Total Liabilities	81,833	152,954
	<hr/>	<hr/>
NET ASSETS		
Unrestricted net assets	<hr/> 732,445	<hr/> 677,180
	<hr/>	<hr/>
Total Net Assets	732,445	677,180
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 814,278</u>	<u>\$ 830,134</u>
	<hr/>	<hr/>

See notes to financial statements.

NASHVILLE DRUG COURT SUPPORT FOUNDATION, INC.
COMPARATIVE STATEMENTS OF CHANGES IN NET ASSETS AND FUNCTIONAL EXPENSE
YEARS ENDED DECEMBER 31, 2018 AND 2017

CHANGES IN UNRESTRICTED NET ASSETS

	2018	2017
Support and revenue		
Grants and contracts	\$ 1,573,030	\$ 1,568,181
Contributions	19,802	26,436
Other income	54	1,616
Total Support and Revenue	<u>1,592,886</u>	<u>1,596,233</u>
FUNCTIONAL EXPENSE		
Program Expense		
Payroll	512,054	540,458
Payroll tax	47,557	47,867
Contract labor and professional fees	343,046	338,241
Depreciation	12,421	13,926
Education	12,045	9,803
Medical	33,258	35,176
Drug testing	6,978	6,138
Vocational rehabilitation	34,822	54,058
Specific Assistance to Residents	-	6,970
Environmental	19,124	19,851
Rent	13,800	13,400
Utilities	8,927	7,167
Food for residents	102,186	94,723
Resident incentive	16,422	10,510
Miscellaneous	12,990	9,978
Total Program Expense	<u>1,175,630</u>	<u>1,208,265</u>
Management and general expense		
Bank Service charge	8	-
Background checks	618	364
Licenses and permits	-	-
Dues and subscriptions	275	408
Postage and delivery	594	1,170
Office supplies	16,734	12,158
Interest	4,430	4,012
Employee payroll, workerscompensation and SUI benefits	127,748	128,234
Insurance	27,161	27,171
Printing and reproduction	262	200
Payroll	128,013	135,114
Payroll tax	11,889	11,967
Professional fees	-	9,900
Telephone	17,373	17,368
Travel	23,609	29,304
Total management and general expense	<u>358,715</u>	<u>377,371</u>
Fundraising expense	<u>3,276</u>	<u>4,805</u>
Total expense	<u>1,537,622</u>	<u>1,590,441</u>
Increase (decrease) in unrestricted net assets	55,264	5,791
Net assets at beginning of year	677,180	671,388
Net assets at end of year	<u>\$ 732,444</u>	<u>\$ 677,180</u>

See notes to financial statements.

NASHVILLE DRUG COURT SUPPORT FOUNDATION, INC
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 55,264	5,791
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
Depreciation	12,421	13,926
(Increase) decrease in accounts receivable	4,033	(25,069)
Increase (decrease) in deferred revenue	(27,500)	-
Increase (decrease) in accounts payable	(5,894)	6,933
Increase (decrease) in accrued liabilities	(16,740)	(1,694)
Total adjustments	(33,680)	(5,904)
Net Cash Provided (Used) by Operating Activities	21,584	(113)
Cash Flows From Investing Activities		
Acquisition of plant, property, and equipment	-	-
Net Cash Used by Investing Activities	-	-
Cash Flows From Financing Activities		
Borrowings	15,000	14,525
Payments	(5,986)	(6,859)
Net Cash Provided by Financing Activities	(20,986)	7,666
Increase (decrease) in cash	598	7,552
Cash, beginning of year	568,244	560,692
Cash, end of year	\$ 568,842	568,244
Supplemental disclosures:		
Cash paid for interest	\$ 4,430	-

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.

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 \$124,843 and \$99,774 for the years ended December 31, 2017 and 2016 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, 2018 of \$14,763 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 four years:

2019	7,939
2020	6,824

5. COMMITMENTS

The Organization leased office space for the year ended December 31, 2018 with total lease payments of \$13,800. 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 balance of \$45,000 and \$65,000 as of December, 31, 2018 and 2017 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, 2018.

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, 2018

Grantor / Program Title	Federal Award Number	Edison ID	Federal Award Amount	State Award Amount	Balance 12/31/2017	(2) Receipts	Federal Disbursements Expenditures	State Disbursements Expenditures	Adjustments for Over / Under Payment	Total Expenditures	(1) Balance 12/31/2018
State of Tennessee											-
Department of Mental Health and Substance Abuse Services		49826	-	860,000	103,445	917,963	-	886,076		886,076	71,558
Department of Mental Health and Substance Abuse Services	93.959		75,000	100,000	13,806	176,858	-	177,139		177,139	14,086
Substance Abuse and Mental Health Services Administration	93.243		101,000		7,592	84,159		76,567		76,567	-
Alcohol and Drug Addiction Treatment (ADAT)		58040		120,000	-	-		23,166		23,166	23,166
											-
Total					\$ 124,843	1,178,981	-	1,162,948		1,162,948	\$ 108,810

(1) Balance owed NDCSF, Inc. as of June 30 2018.

(2) Receipts do not include money earned for the fiscal year ended June 30, 2018 but not yet received,
but do include write offs of amounts disallowed, if any.

(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 June 30, 2017 and 2016, 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 19, 2019.

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*.

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.

Franklin, Tennessee
June 19, 2019

NASHVILLE DRUG COURT SUPPORT FOUNDATION, INC
ROSTER OF BOARD AND MANAGEMENT

Jeri Holladay Thomas, Executive Director
Manuel Ben Russ, President
Carol Etherington, Vice President/Treasurer
Amanda Bracht, Secretary
Audrey Pessoni, Board Member
Tommy Malone, Board Member
Xyreidria Ensley, Board Member