NURTURE THE NEXT

Financial Statements and Supplementary Information

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

LBMC MAKE A GOOD BUSINESS BETTER

NURTURE THE NEXT

Table of Contents

LBMC MAKE A GOOD BUSINESS BETTER

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Nurture The Next:

Opinion

We have audited the accompanying financial statements of Nurture The Next (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Organization's 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

Our 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 auditors' report that includes our 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 generally accepted auditing standards 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 for 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- **Exercise professional judgment and maintain professional skepticism throughout the audit.**
- **Identify and assess the risks of material misstatement of the financial statements, 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 of the Organization'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.**

We are 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state grant awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee, 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 our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Schedule of Board Members and Management, as required by the Tennessee Audit Manual issued by the State of Tennessee Comptroller of the Treasury, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on that information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2022, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

LBMC, PC

Brentwood, Tennessee
December 13, 2022

NURTURE THE NEXT

Statements of Financial Position

June 30, 2022 and 2021

Assets

	2022	2021
Current assets:		
Cash and cash equivalents	$ 821,142	$ 286,594
Cash restricted for fiscal sponsorships	352,712	268,670
Grants receivable	1,265,053	1,615,836
Other accounts receivable	46,609	1,733
Prepaid expenses and other current assets	23,288	21,054
Total current assets	2,508,804	2,193,887
Property and equipment, net	-	1,248
Total assets	$ 2,508,804	$ 2,195,135

Liabilities and Net Assets

	2022	2021
Current liabilities:		
Accounts payable	$ 177,097	$ 69,014
Accrued wages and benefits	90,362	205,782
Other accrued expenses	56,729	52,930
Funds held for fiscal sponsorships	352,712	268,670
Total current liabilities	676,900	596,396
Net assets without donor restrictions	1,831,904	1,598,739
Total liabilities and net assets	$ 2,508,804	$ 2,195,135

See accompanying notes to the financial statements.

NURTURE THE NEXT

Statements of Activities and Changes in Net Assets

Years ended June 30, 2022 and 2021

	2022	2021
Changes in net assets without donor restrictions:		
Revenues:		
Grants	$ 5,405,417	$ 4,612,217
Contributions	648,374	548,302
In-kind contributions	91,338	56,824
Other income	26,637	32,516
Total revenues	6,171,766	5,249,859
Expenses:		
Programs	5,533,043	4,751,341
Management and general	191,900	136,510
Fundraising	213,658	212,674
Total expenses	5,938,601	5,100,525
Change in net assets without donor restrictions	233,165	149,334
Net assets at beginning of year	1,598,739	1,449,405
Net assets at end of year	$ 1,831,904	$ 1,598,739

See accompanying notes to the financial statements.

NURTURE THE NEXT

Statement of Functional Expenses

Year ended June 30, 2022

	Parent Leadership	Healthy Start / Healthy Families	Nurturing Parents	VOCA	Stewards of Children	Building Strong Brains	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 107,051	$ 2,604,617	$ 128,164	$ 495,437	$ 34,769	$ 25,970	$ 3,396,008	$ 86,150	$ 109,436	$ 3,591,594
Fringe benefits	22,885	758,904	25,500	88,359	5,265	2,830	903,743	10,644	25,379	939,766
Professional fees	4,364	200,253	7,760	110,904	1,484	31,796	356,561	78,735	6,468	441,764
Supplies	3,879	140,875	2,503	23,881	4,268	28,841	204,247	1,364	8,357	213,968
Telephone	1,707	45,968	1,323	17,115	338	114	66,565	5,548	1,591	73,704
Postage	202	1,659	26	168	12	4	2,071	74	2,023	4,168
Rent	5,824	144,971	4,922	2,240	2,514	728	161,199	1,887	4,651	167,737
Printing	688	8,382	290	911	53	57	10,381	38	6,532	16,951
Travel and conferences	4,825	131,762	3,146	26,131	428	266	166,558	4,313	8,300	179,171
Insurance	378	13,267	372	2,450	162	40	16,669	685	431	17,785
Technology	1,723	118,904	1,674	34,888	727	197	158,113	(2,222)	1,913	157,804
Parent stipends	3,855	5,485	9,000	-	-	-	18,340	-	-	18,340
Other	496	68,546	1,538	577	93	1,338	72,588	4,684	38,577	115,849
Total expenses	$ 157,877	$ 4,243,593	$ 186,218	$ 803,061	$ 50,113	$ 92,181	$ 5,533,043	$ 191,900	$ 213,658	$ 5,938,601

See accompanying notes to the financial statements.

NURTURE THE NEXT

Statement of Functional Expenses

Year ended June 30, 2021

	Parent Leadership	Healthy Start / Healthy Families	Nurturing Parents	VOCA	Stewards of Children	Other Programs	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 109,777	$ 2,158,118	$ 124,407	$ 380,155	$ 47,138	$ 674	$ 2,820,269	$ 65,528	$ 133,005	$ 3,018,802
Fringe benefits	23,189	558,161	28,830	69,097	11,038	158	690,473	11,321	25,908	727,702
Professional fees	4,162	229,877	6,518	77,625	3,207	21	321,410	43,616	8,055	373,081
Supplies	4,616	239,261	1,901	3,613	6,260	1,206	256,857	5,883	5,672	268,412
Telephone	2,150	61,762	3,072	20,244	1,057	87	88,372	2,584	1,604	92,560
Postage	43	2,893	76	460	24	1	3,497	51	2,704	6,252
Rent	4,800	118,557	5,796	1,382	3,252	157	133,944	1,972	4,695	140,611
Printing	56	2,471	103	21	36	33,001	35,688	72	3,511	39,271
Travel and conferences	816	92,693	673	1,773	1,207	2,058	99,220	1,237	1,714	102,171
Insurance	407	12,354	610	2,637	333	7	16,348	217	494	17,059
Technology	4,003	184,461	7,860	12,497	2,999	61	211,881	1,240	4,091	217,212
Parent stipends	6,925	9,800	9,000	-	-	-	25,725	-	-	25,725
Depreciation	-	-	-	-	-	-	-	1,998	-	1,998
Bad debt	-	-	-	-	-	-	-	-	2,000	2,000
Other	1,185	44,176	529	1,506	255	6	47,657	791	19,221	67,669
Total expenses	$ 162,129	$ 3,714,584	$ 189,375	$ 571,010	$ 76,806	$ 37,437	$ 4,751,341	$ 136,510	$ 212,674	$ 5,100,525

See accompanying notes to the financial statements.

NURTURE THE NEXT

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 233,165	$ 149,334
Adjustments to reconcile change in net assets to net cash and cash equivalents provided (used) by operating activities:		
Depreciation expense	-	1,998
Bad debt expense	-	2,000
Gain on disposal of property and equipment	(154)	-
Decrease (increase) in operating assets:		
Grants receivable	350,783	(883,533)
Other accounts receivable	(44,876)	42,474
Prepaid expenses and other current assets	(2,234)	(7,118)
Increase (decrease) in operating liabilities:		
Accounts payable	108,083	(39,808)
Accrued wages and benefits	(115,420)	73,964
Other accrued expenses	3,799	15,546
Funds held for fiscal sponsorship liability	84,042	(42,569)
Total adjustments	384,023	(837,046)
Net cash provided (used) by operating activities	617,188	(687,712)
Cash flows from investing activities -		
Proceeds from disposal of property and equipment	1,402	-
Increase (decrease) in cash and cash equivalents and restricted cash	618,590	(687,712)
Cash, cash equivalents and restricted cash at beginning of year	555,264	1,242,976
Cash, cash equivalents and restricted cash at end of year	$ 1,173,854	$ 555,264

Supplemental cash and non-cash disclosures of cash flow statement information

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same shown above:

	2022	2021
Cash and cash equivalents	$ 821,142	$ 286,594
Cash restricted for fiscal sponsorships	352,712	268,670
	$ 1,173,854	$ 555,264

During 2022, the Organization paid $4,339 in interest. During 2021, the Organization did not pay interest.

See accompanying notes to the financial statements.

(1) Nature of activities

Nurture The Next (the "Organization") is a not-for-profit organization located in Nashville, Tennessee. The Organization provides services aimed at preventing the occurrence or continuation of child abuse. These services consist of parent support groups, a statewide toll-free parent helpline and domestic violence hotline, and pairing of trained volunteers with new families at a high risk for child abuse. All services are available at no charge. Principal funding is provided by federal grants through the U.S. Department of Health and Human Services. Organization operations are conducted by the chief executive officer and staff under the guidance of the board of directors.

(2) Summary of significant accounting policies

The financial statements of the Organization are presented on the accrual basis. The significant accounting policies followed are described below.

(a) Recently adopted accounting standard

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as in-kind contributions, for not-for-profit organizations. ASU No. 2020-07 was issued to increase the transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in an Organization's programs and other activities. The Organization adopted the new guidance effective July 1, 2021. Adoption of this guidance did not have a material impact on the Organization's financial statements.

(b) Cash and cash equivalents

The Organization considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

(c) Receivables and credit policies

Substantially all receivables are from grantors. The carrying amount of receivables is reduced by a valuation allowance, if necessary, which reflects management's best estimate of the amounts that will not be collected. The allowance is estimated based on management's knowledge of its grantors and customers, historical loss experience and existing economic conditions. Late or interest charges on delinquent accounts are not recorded until collected. Accounts receivable are written-off when, in management's opinion, all collection efforts have been exhausted. As of June 30, 2022 and 2021, no valuation allowance was deemed necessary by management.

(d) Property and equipment

Property and equipment is stated at cost, net of depreciation. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Equipment is generally depreciated over a period between five to seven years. The Organization's policy is to capitalize property and equipment expenditures over $1,000 with useful lives of one year or more.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in the change in net assets without donor restrictions.

(e) Income taxes

The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code ("IRC") Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements. The Organization does not believe there are any uncertain tax positions and, accordingly it has not recognized any asset or liability for unrecognized tax benefits.

As of June 30, 2022 and 2021, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Organization files a U.S. Federal information tax return. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization's informational tax returns are generally open to audit for a period of three years from the original filing date.

(f) Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor-imposed restrictions.

<u>Net assets with donor restrictions</u> - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when restrictions expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization has no net assets subject to donor-imposed restrictions at June 30, 2022 or 2021.

Contributions received are recorded as without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

(g) <u>Contributions and grant revenue</u>

Contributions are recognized when received. Non-cash contributions are recorded at fair market value when received. Donations and grants restricted by the donor, grantor, or other outside parties for particular operating purposes are deemed to be earned and reported as revenues when the Organization has incurred expenditures in compliance with the specific grant restrictions.

In-kind contributions are recorded at fair market value when received and represent contributions of supplies or auction items received from donors. Additionally, individuals volunteer their time and perform a variety of tasks that assist the Organization with program services. Certain contributed services, such as those provided by volunteers trained in social work, require specialized skills and would otherwise need to be purchased if not provided by contribution. Accordingly, the Organization recognized in-kind contribution revenue and expense for those contributed goods and services totaling $91,338 and $56,824 during the years ended June 30, 2022 and 2021, respectively. See Note 9 for additional information.

(h) <u>Revenue from contracts with customers</u>

Revenue from contracts with customers are limited to certain special events, presentation of certain programs, or sales of auction items and is recognized when earned, generally when an event or program occurs or auction items are sold.

(i) Fiscal agent

The Organization serves as the fiscal agent for All Children Excel ("ACE") Nashville, a collective impact initiative whose purpose is to prevent and mitigate the lifelong impact of childhood adversity to improve the safety, health and prosperity of the Nashville community. The Organization is the primary organization tasked to develop grant sources for ACE. The Organization does not have variance power over the contributions received for ACE which is governed by representatives from certain participating other non-profit organizations or community leaders. As a result, receipts from grants or other income sources for ACE and the related expenditures are not recorded on the Organization's statement of activities and changes in net assets. The Organization maintains restricted cash and an agency liability related to cash restricted for ACE.

(j) Long-lived assets

Management evaluates the recoverability of the investment in long-lived assets when certain triggering events occur and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

(k) Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Functional allocation of expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

(m) New accounting standards, not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 will generally require recognition for all leases with terms that exceed twelve months on the statement of financial position. The new lease accounting model will continue to reflect two types of leases. Under the new rules, a lessee would account for most existing capital leases as finance leases (that is, recognizing amortization of the right-of-use ("ROU") asset, as well as separately recognizing interest on the lease liability in the statement of activities and changes in net assets). Most existing operating leases will remain as operating leases (that is, recognizing a single total lease expense). Both finance leases and operating leases will result in the lessee recognizing a ROU asset and a lease liability. The new standard is effective for the Organization's fiscal year beginning July 1, 2022 and the Organization can elect to transition to the new standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management of the Organization is currently evaluating the impact adoption of ASU 2016-02 will have on its financial statements and disclosures.

(n) Events occurring after reporting date

The Organization has evaluated events and transactions that occurred between June 30, 2022 and December 13, 2022 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Liquidity and availability

The following table reflects the Organization's financial assets as of June 30, 2022 and 2021 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2022	2021
Cash and cash equivalents	$ 821,142	$ 286,594
Cash restricted for fiscal sponsorships	352,712	268,670
Grants receivable	1,265,053	1,615,836
Other accounts receivable	46,609	1,733
Total financial assets at end of year	2,485,516	2,172,833
Less: assets unavailable for general expenditure within one year:		
Cash restricted for fiscal sponsorships	352,712	268,670
Financial assets available to meet cash needs for general expenditures within one year	$ 2,132,804	$ 1,904,163

As part of its liquidity management plan, the Organization invests cash in excess of daily requirements in money market funds and interest bearing accounts and seeks to maintain liquid assets in order to meet its obligations as they become due. Additionally, the Organization has a line of credit available (Note 6) which could provide for operating cash, if needed.

(4) Credit risk and other concentrations

The Organization periodically maintains cash on deposit at banks in excess of federally insured amounts. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

Grants from the State of Tennessee and agencies of the federal government amounted to approximately 87% and 86%, respectively, of the Organization's revenue for the years ended June 30, 2022 and 2021.

(5) Property and equipment

Property and equipment at June 30, 2022 and 2021, consist of the following:

	2022	2021
Equipment	$ 7,000	$ 7,000
Automobile	-	4,991
	7,000	11,991
Accumulated depreciation	(7,000)	(10,743)
	$ -	$ 1,248

(6) Line of credit

The Organization has a line of credit with a bank. At June 30, 2021, the line of credit provided for borrowings of $350,000. In March 2022, the Organization amended the terms of the line of credit to increase the available borrowings to $750,000. The line of credit bears interest at a variable interest rate equal to the U.S. Prime rate plus 1.0% (5.75% at June 30, 2022), payable monthly. All outstanding principle and unpaid interest is due at maturity on March 24, 2023. The Organization had no borrowings outstanding under the line of credit at June 30, 2022 and 2021.

(7) Retirement plan

The Organization sponsors a defined contribution plan pursuant to Section 403(b) of the IRC of 1986, as amended. Under the terms of the plan, each eligible employee may contribute a percentage of wages subject to certain limitations. The Organization may match employee contributions at its discretion. The Organization made contributions in the amount of $35,642 and $28,253 in 2022 and 2021, respectively.

(8) Lease commitments

The Organization leases office space and equipment under operating leases. Rent expense under these leases amounted to $167,737 and $140,611 in 2022 and 2021, respectively.

A summary of approximate future minimum payments under these leases as of June 30, 2022 is as follows:

	Amount
2023	$ 130,000
2024	121,000
2025	113,000
2026	114,000
2027	116,000
2028 and later years	177,000
	$ 771,000

(9) In-Kind contributions

For the years ended June 30, 2022 and 2021, in-kind contributions recognized within the statement of activities and changes in net assets are as follows:

	2022	2021
Donated goods	$ 16,851	$ 8,531
Rent	1,020	-
Services - volunteer	71,007	48,293
Services - painting	2,460	-
Totals	$ 91,338	$ 56,824

The Organization recognized in-kind contributions within revenue, including household goods, rent, volunteer service hours, and services performed by a painter. Unless otherwise noted, in-kind contributions did not have donor-imposed restrictions.

It is the Organization's policy to sell securities within 10 days upon receipt. These contributions are recognized in the financial statements at fair market value when received.

Donated goods consist primarily of clothing, furniture, household items, and baby products which are valued based on similar goods at thrift store or other observable resale values. Donated goods, excluding baby products, are sold at the Organization's silent auction. Contributed baby products are not monetized but utilized in providing the Organization's charitable services.

Contributed services recognized are comprised of professional services from painters and volunteers performing various tasks that the Organization would otherwise have to pay for and require some level of specialized skills. These services are valued at the estimated rates for similar services provided by the professionals.

NURTURE THE NEXT

Schedule of Expenditures of Federal and State Grant Awards

Year ended June 30, 2022

Federal Assistance Listing Number		Grant Number	Receivable Balance June 30, 2021	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2022
	FEDERAL AWARDS					
	U.S. Dept. of Justice					
	Pass-through from Tennessee Department of Finance and Administration					
16.575	Child Abuse Prevention Program - VOCA	184785983	$ 145,862	$ 682,895	$ 751,577	$ 214,544
	Total U.S. Dept. of Justice		145,862	682,895	751,577	214,544
	U.S. Dept. of Health and Human Services					
	Pass-through from Tennessee Department of Health					
93.136	Core State Violence and Injury Prevention Program	GR1959307	-	8,713	43,510	34,797
93.558	Healthy Families - Temporary Assistance for Needy Families State Programs	GR1855831	537,936	1,745,377	1,578,363	370,922
93.870	Healthy Families - Maternal, Infant and Early Childhood Home Visiting Grant Program	GR1960193	798,707	2,610,032	2,255,370	444,045
	Pass-through from Tennessee Department of Children's Services					
93.590	Nurturing Parents - Mid Cumberland	57594	616	9,925	13,761	4,452
93.590	Nurturing Parents - Tennessee Valley	57305	509	9,544	14,500	5,465
93.590	Nurturing Parents - Davidson	57637	1,559	10,268	14,500	5,791
93.590	Stewards of Children - Davidson	57638	1,063	4,946	5,800	1,917
93.590	Stewards of Children - Smokey	57552	316	2,595	2,900	621
93.590	Stewards of Children - Knox	57289	854	2,814	2,900	940
93.590	Stewards of Children - East	57276	486	486	-	-
93.590	Parent Leadership	57768	4,975	33,809	36,250	7,416
	Total program		10,378	74,387	90,611	26,602
	Total U.S. Dept. of Health and Human Services		1,347,021	4,438,509	3,967,854	876,366
	Total federal awards		1,492,883	5,121,404	4,719,431	1,090,910
	STATE AWARDS					
N/A	Tennessee Department of Children's Services					
	Healthy Start	59315	97,543	188,743	91,200	-
	Nurturing Parents - Mid Cumberland	57594	1,510	206,267	273,500	68,743
	Nurturing Parents - Tennessee Valley	57305	1,245	24,035	33,691	10,901
	Nurturing Parents - Davidson	57637	3,817	25,937	35,500	13,380
	Stewards of Children - Davidson	57638	2,602	23,924	35,500	14,178
	Stewards of Children - Smokey	57552	774	10,281	14,200	4,693
	Stewards of Children - Knox	57289	2,091	7,671	7,100	1,520
	Stewards of Children - East	57276	1,191	5,989	7,100	2,302
	Parent Leadership	57768	12,180	82,773	88,750	18,157
	Building Strong Brains	63446	-	71,621	111,890	40,269
	Total state awards		122,953	647,241	698,431	174,143
	Total federal and state awards		$ 1,615,836	$ 5,768,645	$ 5,417,862	$ 1,265,053

See accompanying notes to the Schedule of Expenditures of Federal and State Grant Awards

NURTURE THE NEXT

Notes to the Schedule of Expenditures of Federal and State Grant Awards

Year ended June 30, 2022

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Grant Awards (the "Schedule") includes the federal and state grant activity of Nurture The Next (the "Organization"). The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the State of Tennessee. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

(2) Summary of Significant Accounting Policies

For purposes of the Schedule, expenditures of federal and state grant awards are recognized on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization did not receive or expend any Federal or State awards during fiscal year 2022 in the form of non-cash assistance or provide any funds to subrecipients.

The Organization elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

The expenditure threshold for classification as a Type A program is $750,000.

NURTURE THE NEXT

Schedule of Board Members and Management

June 30, 2022

Board of Directors

Mark Tinsey, Board Chair
Tony Jones, Incoming Board Chair
Eric Strickland, Immediate Past Chair
Dr. Rosemary Hunter, Secretary
Jon Perkins, Treasurer
Kristen Davis, President & CEO

Chuck Wilson
Adam Ackerman
Kelli Bjork
Gino DeSalvatore
Amy Goode
Meg McWhorter
Charlane Oliver
Joe Saig
Chad Shaw
Kirk Stanley
Ashok Sudarsahn
Mario Vangeli
Mary Beth West
Kinika Young

Members of Management

Kristen Davis, President & CEO
Katherine Snyder, CFO
Melanie Scott, Chief Development Officer
Heather Thompson, Chief Human Resources Officer
Jennifer Vaida, Chief Program Officer

LBMC MAKE A GOOD BUSINESS BETTER

<u>Independent Auditors' 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*</u>

The Board of Directors of
Nurture The Next:

We 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 Nurture The Next (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2022.

<u>Report on Internal Control Over Financial Reporting</u>

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we 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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our 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.

LBMC, PC

Brentwood, Tennessee
December 13, 2022

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors of
Nurture The Next:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Nurture The Next's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grants agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

LBMC, PC

Brentwood, Tennessee
December 13, 2022

NURTURE THE NEXT

Schedule of Findings and Questioned Costs and Schedule of Prior Audit Findings

Year ended June 30, 2022

SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___yes	_x_ no
Significant deficiency(ies) identified?	___yes	_x_ none reported
Noncompliance material to financial statements noted?	___yes	_x_ no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	___yes	_x_ no
Significant deficiency(ies) identified?	___yes	_x_ none reported
Type of auditors' report issued on compliance for each major program	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___yes	_x_ no

Identification of major programs for the Organization for the fiscal year ended June 30, 2022 are:

Federal Assistance Listing Number	Name of Federal Program
93.870	Maternal, Infant, and Early Childhood Home Visiting Program
16.575	Victims of Crime Act Program

Dollar threshold to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee? _x_ yes ___no

(1) FINANCIAL STATEMENT FINDINGS

None noted

(2) FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

None noted

(3) SUMMARY OF PRIOR AUDIT FINDINGS

None noted