

**NASHVILLE CONFLICT RESOLUTION CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2016 AND 2015**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nashville Conflict Resolution Center

Report on the Financial Statements

We have audited the accompanying financial statements of Nashville Conflict Resolution Center (a Tennessee not-for-profit corporation, the "Center"), which comprise the statements of financial position as of June 30, 2016 and 2015, 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, (collectively, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center'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 Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Conflict Resolution Center as of June 30, 2016 and 2015, 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.

Blankenship CPA Group, PLLC

October 6, 2016

**NASHVILLE CONFLICT RESOLUTION CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

| | 2016 | 2015 |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Cash | \$ 180,129 | \$ 154,846 |
| Accounts receivable | 39,569 | 26,304 |
| Prepaid expenses | 1,013 | - |
| Property and equipment, net | <u>4,580</u> | <u>993</u> |
| TOTAL ASSETS | <u>\$ 225,291</u> | <u>\$ 182,143</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 7,517 | \$ 1,127 |
| Accrued expenses | <u>4,062</u> | <u>2,564</u> |
| Total Liabilities | <u>11,579</u> | <u>3,691</u> |
| NET ASSETS | | |
| Unrestricted | 183,712 | 163,452 |
| Temporarily restricted | <u>30,000</u> | <u>15,000</u> |
| Total Net Assets | <u>213,712</u> | <u>178,452</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 225,291</u> | <u>\$ 182,143</u> |

The accompanying notes are an integral part of these financial statements.

**NASHVILLE CONFLICT RESOLUTION CENTER
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2016 AND 2015**

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Changes in Unrestricted Net Assets | | |
| Revenues | | |
| In-kind contributions | \$ 287,067 | \$ 208,400 |
| Government grants | 185,184 | 184,202 |
| Foundation grants | 40,440 | 20,800 |
| Public support | 35,532 | 19,079 |
| Fee and rental income | 8,401 | 8,658 |
| Fundraising | 650 | 28,005 |
| | <u>557,274</u> | <u>469,144</u> |
| Total Unrestricted Revenues | | |
| | 557,274 | 469,144 |
| Net assets released from restrictions | <u>15,000</u> | <u>45,000</u> |
| | | |
| Total Unrestricted Revenues and Reclassifications | <u>572,274</u> | <u>514,144</u> |
| Functional Expenses | | |
| Program services | 487,512 | 394,204 |
| Supporting services: | | |
| Management and general | 48,918 | 40,305 |
| Fundraising | 15,584 | 29,862 |
| | <u>552,014</u> | <u>464,371</u> |
| Total Unrestricted Functional Expenses | | |
| | 552,014 | 464,371 |
| Increase in unrestricted net assets | <u>20,260</u> | <u>49,773</u> |
| Changes in Temporarily Restricted Net Assets | | |
| Restricted grants | 30,000 | 20,000 |
| Net assets released from restrictions | <u>(15,000)</u> | <u>(45,000)</u> |
| | | |
| Increase (decrease) in temporarily restricted net assets | <u>15,000</u> | <u>(25,000)</u> |
| INCREASE IN NET ASSETS | 35,260 | 24,773 |
| NET ASSETS, BEGINNING OF THE YEAR | <u>178,452</u> | <u>153,679</u> |
| NET ASSETS, END OF THE YEAR | <u>\$ 213,712</u> | <u>\$ 178,452</u> |

The accompanying notes are an integral part of these financial statements.

**NASHVILLE CONFLICT RESOLUTION CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

| | Program Services | Supporting Services | | Total |
|-----------------------------------|---------------------|------------------------------|------------------|-------------------|
| | | Management and General | Fund- raising | |
| Compensation, benefits and taxes | \$ 449,516 | \$ 21,281 | \$ 11,759 | \$ 482,556 |
| Rent, utilities and cleaning | 11,380 | 2,845 | - | 14,225 |
| Professional fees | - | 11,850 | - | 11,850 |
| Computer software and maintenance | 8,066 | 829 | 270 | 9,165 |
| Office equipment | 4,142 | 344 | - | 4,486 |
| Insurance | 951 | 3,197 | - | 4,148 |
| Administrative | 2,517 | 1,145 | 479 | 4,141 |
| Office supplies | 3,302 | 503 | 251 | 4,056 |
| Telephone | 1,248 | 1,843 | - | 3,091 |
| Facility maintenance | 2,075 | 519 | - | 2,594 |
| Marketing and website | 588 | 629 | 1,314 | 2,531 |
| Mediation training | 2,243 | - | - | 2,243 |
| Payroll processing fee | - | 2,184 | - | 2,184 |
| Professional development | 150 | 322 | 1,000 | 1,472 |
| Postage | 648 | 123 | 200 | 971 |
| Depreciation | - | 861 | - | 861 |
| Printing | 84 | 443 | 311 | 838 |
| Mediation fee reimbursement | 602 | - | - | 602 |
| Fundraising event | - | - | - | - |
| Total functional expenses | \$ 487,512 | \$ 48,918 | \$ 15,584 | \$ 552,014 |

The accompanying notes are an integral part of these financial statements.

**NASHVILLE CONFLICT RESOLUTION CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015**

| | Program Services | Supporting Services | | Total |
|-----------------------------------|---------------------|------------------------------|------------------|-------------------|
| | | Management and General | Fund- raising | |
| Compensation, benefits and taxes | \$ 368,506 | \$ 16,136 | \$ 24,557 | \$ 409,199 |
| Rent, utilities and cleaning | 9,940 | 2,888 | 1,420 | 14,248 |
| Professional fees | - | 9,350 | - | 9,350 |
| Computer software and maintenance | 661 | 165 | - | 826 |
| Office equipment | 4,269 | 598 | - | 4,867 |
| Insurance | 956 | 3,091 | - | 4,047 |
| Administrative | 1,394 | 1,834 | 64 | 3,292 |
| Office supplies | 987 | 364 | - | 1,351 |
| Telephone | 1,158 | 2,151 | - | 3,309 |
| Facility maintenance | 1,420 | 356 | - | 1,776 |
| Marketing and website | - | 440 | 1,079 | 1,519 |
| Mediation training | 2,961 | - | - | 2,961 |
| Payroll processing fee | - | 2,094 | - | 2,094 |
| Professional development | 722 | - | - | 722 |
| Postage | - | 207 | 316 | 523 |
| Depreciation | - | 383 | - | 383 |
| Printing | 50 | 248 | - | 298 |
| Mediation fee reimbursement | 1,180 | - | - | 1,180 |
| Fundraising event | - | - | 2,426 | 2,426 |
| Total functional expenses | \$ 394,204 | \$ 40,305 | \$ 29,862 | \$ 464,371 |

The accompanying notes are an integral part of these financial statements.

**NASHVILLE CONFLICT RESOLUTION CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

| | 2016 | 2015 |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | \$ 35,260 | \$ 24,773 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | | |
| Depreciation | 861 | 383 |
| (Increase) decrease in operating assets | | |
| Accounts receivable | (13,265) | (8,914) |
| Prepaid expenses | (1,013) | - |
| Increase (decrease) in operating liabilities | | |
| Accounts payable | 6,390 | (381) |
| Accrued expenses | 1,498 | (1,762) |
| | <u>29,731</u> | <u>14,099</u> |
| Net Cash Provided by Operating Activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for property and equipment | <u>(4,448)</u> | <u>-</u> |
| Net Cash Used In Investing Activities | <u>(4,448)</u> | <u>-</u> |
| INCREASE IN CASH | 25,283 | 14,099 |
| CASH, BEGINNING OF THE YEAR | <u>154,846</u> | <u>140,747</u> |
| CASH, END OF THE YEAR | <u><u>\$ 180,129</u></u> | <u><u>\$ 154,846</u></u> |

The accompanying notes are an integral part of these financial statements.

**NASHVILLE CONFLICT RESOLUTION CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Nashville Conflict Resolution Center (the "Center") is a Tennessee not-for-profit corporation that seeks to improve the lives of Nashville residents, particularly those in underserved communities or otherwise disadvantaged in the judicial system, by providing pro bono or low cost mediation services and by teaching effective, nonviolent conflict resolution skills. The Center's support consists primarily of funds received from government grants and foundations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Reclassifications

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and the disclosures of commitments and contingencies. Actual results could differ from those estimates.

Income Taxes

The Center is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the tax laws of the state of Tennessee. Accounting principles generally accepted in the United States of America require the Center to evaluate tax positions taken by the Center and recognize a tax liability (or asset) if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The management has analyzed the tax positions taken by the Center and has concluded that as of June 30, 2016, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Center is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2012.

**NASHVILLE CONFLICT RESOLUTION CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

Cash consists of checking deposits in financial institutions.

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Center. The Center uses the allowance method to determine uncollectible unconditional contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire during the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Property and Equipment and Depreciation

The Center follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$500. Donations of furniture and equipment are recorded as revenues at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities and changes in net assets for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful life of three to ten years and is computed on the straight-line method.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable are considered current since they are expected to be collected within one year. No allowance for uncollectible receivables was deemed necessary as of June 30, 2016 and 2015.

Accounts receivable consist of the following as of June 30:

| | 2016 | 2015 |
|-------------------------|--------------------|------------------|
| State of Tennessee | \$ 20,688 | \$ 7,000 |
| Metro Dollar Bill grant | 18,241 | 9,304 |
| Other | 640 | - |
| Baptist Healing Trust | <u> -</u> | <u>10,000</u> |
| | <u>\$ 39,569</u> | <u>\$ 26,304</u> |

**NASHVILLE CONFLICT RESOLUTION CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

| | 2016 | 2015 |
|------------------------------|---------------------|--------------------|
| Furniture | \$ 3,079 | \$ 3,079 |
| Equipment | 6,059 | 1,611 |
| Leasehold improvements | <u>1,370</u> | <u>1,370</u> |
| | 10,508 | 6,060 |
| Accumulated depreciation | <u>(5,928)</u> | <u>(5,067)</u> |
| | <u>\$ 4,580</u> | <u>\$ 993</u> |

Depreciation expense was \$861 and \$383 for the years ended June 30, 2016 and 2015, respectively.

NOTE 5 - RESTRICTED NET ASSETS

The temporary restrictions on net assets at June 30, 2016 and 2015 are attributable to grants for the following fiscal year's programming.

There were no permanently restricted net assets as of June 30, 2016 and 2015.

NOTE 6 - LEASING ARRANGEMENTS

The Center had entered into a lease with Southminster Presbyterian for the main floor of a house that the Center uses for administrative offices and mediation meeting space. The lease expired on August 31, 2011 and is now operating on a month-to-month basis with continued rent payments of \$900 per month. The Center has occasionally subleased a portion of this space to other tenants on a month-to-month basis.

Rent expense for office equipment and facility space was \$12,718 and \$13,287 for the years ended June 30, 2016 and 2015. Rental income received under sublease agreements was \$240 for both the years ended June 30, 2016 and June 30, 2015, respectively.

**NASHVILLE CONFLICT RESOLUTION CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 7 - DONATED GOODS AND SERVICES

Much of the Center’s mediation services and education is provided by volunteers that have undergone extensive mediation training that meets or exceed the training standards set by Tennessee Supreme Court’s Rule 31. The Center reflects these services on the statements of activities and changes in net assets since these volunteers provide specialized, professional services.

The following in-kind contributions of goods and services have been included in unrestricted revenues and expenses in the financial statements for the year ended June 30:

| | 2016 | 2015 |
|-----------------------|-------------------|-------------------|
| Mediation services | \$ 280,400 | \$ 208,400 |
| Software subscription | <u>6,667</u> | <u>-</u> |
| | <u>\$ 287,067</u> | <u>\$ 208,400</u> |

NOTE 8 - CONCENTRATIONS

Of the Center’s total revenues and support for 2016, approximately 18% (22% for 2015) represents funds received from one government contract. Additionally, in-kind contributions of goods and services totaled 45% of the 2016 (42% of the 2015) total revenues and support. No other revenue and support source represents 10% or more of total revenues and support.

NOTE 9 - EVALUATION OF SUBSEQUENT EVENTS

The Center has evaluated subsequent events through October 6, 2016 which is the date the financial statements were available to be issued.