

**METRO DRUG COALITION, INC.**  
**FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**  
**For the Year Ended September 30, 2022**  
**and**  
**INDEPENDENT AUDITOR'S REPORT**

METRO DRUG COALITION, INC.  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended September 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
Introductory Section:	
List of Principal Officials	1
Financial Statements:	
Independent Auditor's Report	2 – 4
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9 – 17
Supplementary Information:	
Schedule of Expenditures of Federal and State Awards	18 – 19
Notes to the Schedule of Expenditures of Federal and State Awards	20
Internal Control and Compliance Section:	
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 <i>Government Auditing Standards</i>	21 – 22
Summary Schedule of Prior Audit Findings	23

METRO DRUG COALITION, INC.

LIST OF PRINCIPAL OFFICIALS

September 30, 2022

Executive Committee Members

Maha Krishnamurthy, President  
Barbara Shipley, Vice President  
Chief Eve Thomas, Secretary  
Samuel French, Treasurer  
Jim Lapinska, Immediate Past President

Executive Committee – At Large

Randall E. Nichols  
General Charme Allen

Board At Large Members

Jenny Bushkell  
Michele Carringer  
Sharon K. Davis, DNP, APRN, WHNP-BC  
Elise Denny, MD  
Honorable Tim Irwin  
Mayor Glenn Jacobs  
Mayor Indya Kincannon  
Dennis Landfather, MBA  
Eric Lutton  
George M. Massengill  
Brittany McCafferty, PhD  
Chuck Morris  
Kevin Parton  
Ernie Roberts  
Aneisa Rolen  
Dan F. Sherrod, Jr.  
Elizabeth L. Sherrod  
Sheriff Tom Spangler  
Charles W. Swanson  
Janet Testerman  
Bob Thomas  
Bob Thomas

Advisory Board Members

Erik Ainge  
John W. Gill, Jr.  
Otto T. Wright  
Donald B. Wake, CPCU

**BROWN JAKE & McDANIEL, PC**

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FRANK D. McDANIEL, CPA, CGFM, CGMA  
TERRY L. MOATS, CPA, CGFM, CGMA  
JAMES E. BOOHER, CPA, CGMA  
HALEY S. SLAGLE, CPA, CGMA

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors  
Metro Drug Coalition, Inc.  
Knoxville, Tennessee

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

We have audited the accompanying financial statements of the Metro Drug Coalition, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Metro Drug Coalition, Inc. as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

**Basis for Opinion**

We conducted our audit 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Metro Drug Coalition, Inc. and to meet out 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.

**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 Metro Drug Coalition, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are ready to be issued.

## **Auditor's 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 auditor's 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 Metro Drug Coalition, 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Metro Drug Coalition, Inc.'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.

### ***Supplementary 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 awards 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility 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 otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2023, on our consideration of Metro Drug Coalition, 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 Metro Drug Coalition, 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 Metro Drug Coalition, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brown Wake & McDaniel, PC". The signature is written in a cursive, flowing style.

Knoxville, Tennessee  
April 6, 2023

METRO DRUG COALITION, INC.  
STATEMENT OF FINANCIAL POSITION  
September 30, 2022

<u>ASSETS</u>	
Current assets:	
Cash	\$ 93,463
Grants receivable	206,425
Prepaid expense	35,984
Investments	<u>249,278</u>
Total current assets	<u>585,150</u>
Restricted assets:	
Cash and cash equivalents	208,260
Investments	207
Grants receivable	<u>-</u>
Total restricted assets	<u>208,467</u>
Property and equipment:	
Building and improvements	900,000
Leasehold improvements	70,430
Construction in progress	1,945,382
Office furniture and equipment	<u>31,779</u>
	2,947,591
Less accumulated depreciation	<u>64,281</u>
Net property and equipment	<u>2,883,310</u>
Total assets	<u><u>\$ 3,676,927</u></u>
<u>LIABILITIES AND NET POSITION</u>	
Current liabilities:	
Accounts payable	\$ 72,026
Accrued liabilities	<u>27,962</u>
Total current liabilities	<u>99,988</u>
Net position:	
Without donor restrictions	3,276,838
With donor restrictions	<u>300,101</u>
Total net position	<u>3,576,939</u>
Total liabilities and net position	<u><u>\$ 3,676,927</u></u>

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

## METRO DRUG COALITION, INC.

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Revenues, gains and other support:			
Federal and state grants	\$ 906,876	\$ 1,000,000	\$ 1,906,876
Local government grants	70,000	2,440	72,440
Contributions and support	334,122	688,625	1,022,747
Gifts in kind	61,992	9,504	71,496
Interest and dividend income	7,686	1,792	9,478
Investment return (loss), net	(79,152)	(11,506)	(90,658)
Special event	92,257	-	92,257
Miscellaneous Income	13,049	-	13,049
Net assets released from restrictions:			
Satisfaction of program service or asset acquisition restrictions	1,787,661	(1,787,661)	-
Total revenues, gains and other support	<u>3,194,491</u>	<u>(96,806)</u>	<u>3,097,685</u>
Expenses:			
Program services	1,341,703	-	1,341,703
Support services:			
Management and general	227,080	-	227,080
Fundraising	103,805	-	103,805
Total expenses	<u>1,672,588</u>	<u>-</u>	<u>1,672,588</u>
Change in net position	1,521,903	(96,806)	1,425,097
Net position, beginning of year	<u>1,754,935</u>	<u>396,907</u>	<u>2,151,842</u>
Net position, end of year	<u>\$ 3,276,838</u>	<u>\$ 300,101</u>	<u>\$ 3,576,939</u>

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



METRO DRUG COALITION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2022

	Support Services			Total
	Program Services	Management and General	Fundraising	
Salaries and benefits	\$ 499,104	\$ 106,548	\$ 87,862	\$ 693,514
Professional services	29,667	4,608	2,726	37,001
Contractual expenses	452,887	1,209	-	454,096
Supplies	73,260	4,891	3,352	81,503
Telephone	6,570	6,656	994	14,220
Printing and postage	14,369	1,889	32	16,290
Rent	13,430	61,223	-	74,653
Building maintenance	7,198	888	457	8,543
Utilities	15,487	995	349	16,831
Equipment rental and maintenance	2,860	458	273	3,591
Depreciation	3,248	-	-	3,248
Travel	21,514	1,189	752	23,455
Meeting/training expenses	24,927	1,579	299	26,805
Insurance	15,867	21,269	599	37,735
Membership dues and professional development	2,465	2,104	597	5,166
Community awareness	80,505	-	-	80,505
Fundraising	22,136	4,256	4,506	30,898
Miscellaneous	9,152	7,318	1,007	17,477
Recovery payments expense	37,028	-	-	37,028
Capital Campaign Expenses	10,029	-	-	10,029
	<u>\$ 1,341,703</u>	<u>\$ 227,080</u>	<u>\$ 103,805</u>	<u>\$ 1,672,588</u>

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

## METRO DRUG COALITION, INC.

## STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2022

Cash flows from operating activities:	
Change in net position	\$ 1,425,097
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Net realized and unrealized (gains) and losses on investments	90,658
Depreciation	3,248
(Increase) decrease in assets:	
Grants receivable	79,626
Prepaid expense	29,426
Increase (decrease) in liabilities:	
Accounts payable	42,069
Accrued liabilities	(5,557)
	<u>1,664,567</u>
Net cash provided by operating activities	
Cash flows from investing activities:	
Proceeds of investments	696,561
Purchases of investments	(268,568)
	<u>427,993</u>
Net cash provided by investing activities	
Cash flows from financing activities:	
Acquisition and construction of capital assets	(1,831,816)
	<u>(1,831,816)</u>
Net cash used by financing activities	
Increase in cash and cash equivalents	260,744
Cash and cash equivalents, beginning	<u>40,979</u>
Cash and cash equivalents, ending	<u>\$ 301,723</u>
Cash and cash equivalents - unrestricted	\$ 93,463
Cash and cash equivalents - restricted	<u>208,260</u>
	<u>\$ 301,723</u>

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

METRO DRUG COALITION, INC.  
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

1. Organization and Mission

The Metro Drug Coalition, Inc. ("MDC" or the "Coalition") legally changed its name on January 26, 2016, from Metropolitan Drug Commission, Inc. MDC was chartered in 1986 as a corporation formed by a joint resolution by the City of Knoxville (the "City") and Knox County. The mission of the Coalition is to mobilize all segments of the local community to individually reject and reduce youth use and adult abuse of alcohol and other drugs.

2. Summary of Significant Accounting Policies

Method of Accounting

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

Tax Status

The Coalition is classified as an organization exempt from income tax under Internal Revenue Code Section 501(c)(3) as other than a private foundation and, accordingly, no provision for income taxes has been included in the accompanying financial statements.

The Coalition follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10-25. The Coalition does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended September 30, 2022, there were no interest or penalties recorded or included in its financial statements.

The Coalition's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended 2019 through 2022 are subject to examination by the IRS, generally for three years after they were filed.

Basis of Presentation

The Coalition prepares financial statements in accordance with FASB Accounting Standards Codification (ASC) 958-205 and subsections. Under this standard, the Coalition is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net Assets Without Donor Restrictions:** Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

**Net Assets With Donor Restrictions:** Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

METRO DRUG COALITION, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Coalition considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Receivables and Revenue Recognition

For grant awards that are on a cost reimbursement basis, revenue is recognized to the extent grant expenses have been incurred. Revenue from contributions and other grant awards is recorded when cash is received or an unconditional promise to give is made.

Investments and Fair Value Measurements

The Coalition follows FASB ASC 820 which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires enhanced disclosures about fair value measurements. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e. the exit price).

Certificates of deposit are reported at fair market value based on the account balance at the financial institution on the last business day of the year.

Investments for which observable market prices in active markets do not exist are reported at fair value, as determined in good faith by management.

Realized gains and losses are determined by comparison of asset average cost, or fair market value at the date of donation or market value at the beginning of the year, to net proceeds received at the time of disposal. Unrealized gains and losses are determined by the difference between market values at the beginning and end of the year. These amounts are reflected in the financial statements as net realized and unrealized gains (losses) on investments.

See Note 6, Investments and Fair Value Measurements and Endowments, for further discussion relating to ASC 820-10 and the Coalition's investments.

The Coalition's policy regarding investment income and realized and unrealized gains and losses for net assets with donor-imposed restrictions is to record such revenues as unrestricted support to the extent that restrictions are met in the same reporting period.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

METRO DRUG COALITION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are carried at cost. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals and betterments. The Coalition's capitalization threshold is \$5,000.

Land and improvements and construction/retirement in progress are not depreciated. The other property, equipment, and leasehold improvements are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	40 years
Leasehold improvements	10 - 20 years
Office furniture and equipment	5 - 10 years

Net Asset Classification

Net assets with donor restrictions consist of donor restricted contributions. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets without donor restrictions. Grants and donor restricted gifts are classified as net assets without donor-imposed restrictions if the restriction expires in the same fiscal year. See note 8 for assets with donor-imposed restrictions.

Functional Allocation of Expenses

Certain expenses of the Coalition have been allocated between program and supporting services. These allocations are determined by the Coalition's management either by specific identification, percentage proration of personnel, or other specific costs.

Donated Materials, Facilities and Services

Donations of non-cash supplies and materials, rent and utilities are recorded at their estimated fair values at the date of donation.

METRO DRUG COALITION, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Donated Materials, Facilities and Services (Continued)

Donated services by individuals are recognized as contributions in accordance with FASB ASC 958, if the services create or enhance non-financial assets or require specialized skills and would otherwise be purchased by the Coalition. Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance nonfinancial assets or require specialized skills provided by the donation. There were \$842 in donated accounting services and \$9,504 in donated flooring for the Gateway building, the latter being capitalized as construction cost, in 2022. Numerous volunteers, including members of the Coalition's Board of Directors, have donated significant amounts of their time to the Coalition's program services and to the maintenance of its facilities that are not recognized as contributions in the financial statements since the criteria for FASB ASC 958 are not met.

The Coalition leases its facilities from the City of Knoxville for \$1 per year pursuant to a lease agreement expiring in 2027 which may be terminated by the Coalition or the City upon sixty days notice. The Coalition recorded \$61,150 in 2022 in contributions and related rent expense in the Statement of Activities for the estimated fair value of the use of its facility.

Subsequent Events

In preparation of the accompanying financial statements, management has evaluated subsequent events that have occurred since the statement of financial position date through April 6, 2023, the date the financial statements were available for issuance.

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 certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Endowment, Investments and Spending Policies

East Tennessee Foundation Endowment

MDC has adopted the investment and spending policies of the East Tennessee Foundation "The Foundation" for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. To achieve the investment goal, the Foundation's Investment Committee establishes investment objectives and strategies of equity, fixed income, cash, and non-traditional investments within prudent risk parameters.

METRO DRUG COALITION, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Endowment, Investments and Spending Policies (Continued)

East Tennessee Foundation Endowment (Continued)

The objective is to achieve a total annual return, measured on a five-year moving average basis equal to the spending rate as determined by the Foundation plus the inflation rate. The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The spending policy calculates the amount of money annually distributed from the Foundations' various endowed funds for grant making. The Foundation adopted a 4½% annual spending level for grant distributions to be calculated on a rolling average of twelve quarters of ending market values. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

The principal of the endowment is permanent and irrevocable and cannot be spent. At the discretion of the board, up to 100% of the yearly total return may be used for program and agency expenses unless restricted for a specific purpose by the donors.

Other Investment Funds

The Coalition has also adopted investment policies for short-term and long-term reserve funds.

The purpose of the short-term reserve fund is to meet unanticipated expenses of the Coalition and to improve returns on the funds held for expenditure for up to five years. The objectives are preservation of capital, liquidity, and to optimize investment return.

The allowable investments for the short-term reserve funds are interest bearing savings or checking accounts, certificate of deposits, money market funds, mutual funds that invest in direct obligations of the U.S. Government, and direct obligations of the U.S. Government. All of these will have a weighted average maturity of three years or less. The maximum maturity will be five years.

The purpose of the long-term reserve fund is to provide secure long-term funding for the mission of MDC. Expenditure of the principal is board designated unless otherwise designated by the donors in part or in whole. Also, at the discretion of the board, up to 100% of the yearly total return may be utilized for program and agency expenses unless restricted for specific purposes by the donors.

The objectives of the long-term reserve fund are to emphasize the long-term growth of principal while avoiding excessive risk and to achieve returns in excess of the rate of inflation plus spending over the investment time horizon in order to preserve purchase power of agency and trust assets.

METRO DRUG COALITION, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Endowment, Investments and Spending Policies (Continued)

Other Investment Funds (Continued)

MDC has adopted the asset allocation guidelines as equities at 30% up to 70%, fixed income at 30% up to 70%, and cash equivalent at 0% up to 20%. The allowable investments for cash equivalents are treasury bills, money market funds, certificates of deposits, etc. Allowable fixed income securities will be U.S. Government and Agency securities, corporate notes and bonds with an investment grade of at least BBB, mortgage backed bonds, and preferred stock. Allowable equity securities are common stocks, convertible notes and bonds, convertible preferred stocks, and American Depository Receipts of non-US companies. Allowable long-term investments also include mutual funds that invest in the allowable securities of the investment policy.

3. Employee Benefit Plan

The Coalition has a contributory retirement plan for all employees working over 30 hours per week. Participants are required to contribute a minimum of 6% of their compensation, as defined, to the Plan. The Coalition matches participant contributions up to 6% of the participants' compensation to the Plan. The Coalition contributed \$32,887 in 2022 to the Plan.

4. Concentration of Credit Risk

As of September 30, 2022, MDC's cash on deposit with financial institutions did not exceed the Federal Deposit Insurance Corporation ("FDIC") insurance coverage.

5. Investments, Fair Value Measurements

FASB ASC 820 establishes a framework for measuring fair value and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data based on the best information available in the circumstances.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Inputs are quoted prices in active markets for identical investments as of the reporting date. Investments in this category include certificates of deposit, equity securities and mutual funds.

Level 2 – Inputs are observable for the investments, directly or indirectly, as of the reporting date. Fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, and certain over-the counter derivatives.



METRO DRUG COALITION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

5. Investments, Fair Value Measurements (Continued)

Level 3 – Inputs are unobservable and reflect assumptions on the part of the reporting entity. The investment that is included in this category is a limited partnership interest in real estate.

The table that follows sets forth information about the levels within the fair value hierarchy at which MDC's investments are measured at September 30, 2022:

	Level 1	Level 2	Level 3	Total
Investments	\$ 249,485	\$ -	\$ -	\$ 249,485

At September 30, 2022, investments consisted of the following:

Investments Without Donor Restrictions

MDC Reserve Funds

The investments of The Trust Company Reserve Funds are held in trust by The Trust Company and can be cash or non-cash items with a current total value:

	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 8,713	\$ 8,713
Domestic equity	58,234	79,632
International equity	58,831	50,053
Accrued income	311	311
Fixed income	34,556	31,714
REITs	15,213	14,967
Total	<u>\$ 175,858</u>	<u>\$ 185,390</u>

East Tennessee Foundation Endowment Fund

The investments of the East Tennessee Foundation Endowment Fund are held in trust by East Tennessee Foundation and can be cash or non-cash items with a current total value:

**Total Investments**

	<u>Fair Value</u>
Total Investments held by the East Tennessee Foundation	<u>\$ 64,095</u>

METRO DRUG COALITION, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

6. Endowment Fund

Endowment net assets without donor restrictions compositions as of September 30, 2022 are as follows:

	<u>2022</u>
	<u>Without Donor Restriction</u>
East Tennessee Foundation	<u>\$ 64,095</u>
Total Endowment Funds	<u>\$ 64,095</u>

Changes in endowment net assets for the year ended September 30, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>Total Net Assets</u>
Endowment net assets at September 30, 2021	\$ 75,562	\$ 75,562
Contributions	-	-
Investment income	628	628
Net realized and unrealized gains (losses) on investments	(11,208)	(11,208)
Administrative and investment fees	<u>(887)</u>	<u>(887)</u>
Endowment net assets at September 30, 2022	<u>\$ 64,095</u>	<u>\$ 64,095</u>

7. Net Assets with Donor Restrictions

The Gateway is an initiative to establish a recovery community center anchored in the heart of the Knoxville community providing services such as: recovery coaching, recovery meetings of various types, art therapy, music therapy, connecting to jobs, housing and financial institutions and others designed to assist in restoring the lives of individuals and families affected by substance misuse.

	<u>Net Assets with Donor Restrictions</u>
Capital Campaign - Gateway	\$ 297,661
PPP Loan Forgiveness	-
Capital Grant - City of Knoxville	<u>2,440</u>
Total	<u>\$ 300,101</u>

METRO DRUG COALITION, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

8. Liquidity and Availability of Financial Assets

The following reflects Metro Drug Coalition's financial assets as of September 30, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions or governing board designations within one year of the balance sheet date:

Cash and cash equivalents	\$	301,723
Grants receivable		206,425
Prepaid expenses		35,984
Investments		<u>249,485</u>
 Total financial assets		 793,617
 Less those unavailable for general expenditures within one year due to:		
Donor-imposed restrictions		<u>208,467</u>
 Financial assets available to meet cash needs for general expenditures within one year		 <u><u>\$ 585,150</u></u>

As of September 30, 2022, financial assets subject to donor or other contractual restrictions or governing board designations that make them unavailable for general expenditure within one year of the balance sheet date consist of \$208,260 of cash and \$207 of investments. Metro Drug Coalition maintains financial assets, which consist of cash, receivables, and investments to meet normal operating expenses within one year which, on average, are \$198,404. Metro Drug Coalition is developing a liquidity management policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

## **SUPPLEMENTARY INFORMATION**

**METRO DRUG COALITION, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the Year Ended September 30, 2022

Federal Grantor/Pass-through Grantor/State Grantor	Program/ Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
<b>Federal Awards:</b>					
<b>Pass-through Funding:</b>					
Tennessee Department of Safety and Homeland Security Total Program 20.607	Tennessee Highway Safety Grant	20.607	Z22THS190	N/A	\$ 54,506
					<u>54,506</u>
Tennessee Department of Health and Substance Abuse Services Total Program 93.982	Block Grants for Prevention and Treatment of Substance Abuse	93.982	71058	N/A	55,718
					<u>55,718</u>
Tennessee Department of Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	69867	N/A	25,625
Tennessee Department of Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	74156	N/A	4,144
Tennessee Department of Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	70540	N/A	68,878
Tennessee Department of Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	74813	N/A	39,955
Tennessee Department of Health and Substance Abuse Services Total Program 93.959	Block Grants for Prevention and Treatment of Substance Abuse	93.959	73278	N/A	34,758
					<u>173,360</u>
Substance Abuse and Mental Health Services Administration	Regional Community Collaborative	93.243	5H79TI082367-03	N/A	143,405
Tennessee Department of Health and Substance Abuse Services	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79SP081069-02	N/A	58,725
Tennessee Department of Health and Substance Abuse Services Total Program 93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	C-19-0274	N/A	1,075
					<u>203,205</u>
Tennessee Department of Health and Substance Abuse Services	SOR Community Response	93.788	71443	N/A	176,631
Tennessee Department of Health and Substance Abuse Services Total Program 93.788	SOR Community Response	93.788	72087	N/A	21,985
					<u>198,616</u>
<b>Total Federal Awards</b>					<u>685,405</u>

(Continued)

METRO DRUG COALITION, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 (Continued)

For the Year Ended September 30, 2022

Federal Grantor/Pass-through Grantor/State Grantor	Program/ Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
<b>State Awards:</b>					
Tennessee Department of Health and Substance Abuse Services	The Gateway Grant	N/A	74645	N/A	\$ 1,000,000
Tennessee Department of Childrens Services	Building Stronger Brains	N/A	71906	N/A	56,932
Tennessee Department of Health and Substance Abuse Services	Life Line Grant	N/A	70100	N/A	43,625
Tennessee Department of Health and Substance Abuse Services	Life Line Grant	N/A	74926	N/A	16,458
Tennessee Department of Health and Substance Abuse Services	Faith Based Regional Coordinators	N/A	70102	N/A	50,119
Tennessee Department of Health and Substance Abuse Services	Faith Based Regional Coordinators	N/A	74448	N/A	15,741
Tennessee Department of Health and Substance Abuse Services	Regional Training	N/A	70419	N/A	147,000
Tennessee Department of Health and Substance Abuse Services	Regional Training	N/A	74568	N/A	35,000
<b>Total State Awards</b>					<u>1,364,875</u>
<b>Total Federal and State Awards</b>					<u>\$ 2,050,280</u>

See independent auditor's report.

## METRO DRUG COALITION, INC.

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended September 30, 2022

Note A – Basis of Presentation

The accompanying schedule of federal and state awards (the Schedule) includes federal and state award activity of the Metro Drug Coalition, Inc. under programs of the federal and state governments for the year ended September 30, 2022. The information in this 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).

Note B – Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Metro Drug Coalition, Inc. has not elected to use the 10 percent *de minimus* indirect cost rate as allowed under the Uniform Guidance.

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**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***

Board of Directors  
Metro Drug Coalition, Inc.  
Knoxville, Tennessee

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 Metro Drug Coalition, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, 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 April 6, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Metro Drug Coalition, Inc.'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 Metro Drug Coalition, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Metro Drug Coalition, Inc.'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 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 may exist that have not been identified.



## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metro Drug Coalition, Inc.'s financial statements are free of 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Brown Lake & McDaniel, PC". The signature is written in a cursive, flowing style.

Knoxville, Tennessee  
April 6, 2023

METROPOLITAN DRUG COALITION, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no audit findings reported in the September 30, 2021 auditor's report.