Community Care Fellowship, Inc.

Financial Statements
For the Years Ended December 31, 2022 and 2021

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Financial Statements
For the Years Ended December 31, 2022 and 2021

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Community Care Fellowship, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Community Care Fellowship, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 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 (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 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 issued or available 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 GAAS 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023, 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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
September 28, 2023

Community Care Fellowship, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash	$ 224,141	$ 171,874
Investments	220,990	404,484
Grants receivable	171,404	68,875
Total current assets	616,535	645,233
Property and equipment, net	4,025	6,440
Total assets	**$ 620,560**	**$ 651,673**
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 937	$ 38,310
Accrued expenses	42,898	64,862
Total current liabilities	43,835	103,172
Net assets		
Without donor restrictions, undesignated	364,759	431,535
Without donor restrictions, board designated	100,000	100,000
With donor restrictions	111,966	16,966
Total net assets	576,725	548,501
Total liabilities and net assets	**$ 620,560**	**$ 651,673**

Community Care Fellowship, Inc.
Statement of Activities
For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets	$ 2,214,294	$ 95,000	$ 2,309,294
Investment (loss) income, net	(13,494)	-	(13,494)
Miscellaneous income	31,857	-	31,857
Net assets released from restrictions	-	-	-
Total support and revenues	2,232,657	95,000	2,327,657
Expenses			
Program services	2,138,270	-	2,138,270
Management and general	102,648	-	102,648
Fundraising	58,515	-	58,515
Total expenses	2,299,433	-	2,299,433
Change in net assets	(66,776)	95,000	28,224
Net assets, beginning of year	531,535	16,966	548,501
Net assets, end of year	**$ 464,759**	**$ 111,966**	**$ 576,725**

Community Care Fellowship, Inc.
Statement of Activities
For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets	$ 837,341	$ 25,000	$ 862,341
Investment (loss) income, net	20,156	-	20,156
Miscellaneous income	4,115	-	4,115
Net assets released from restrictions	8,034	(8,034)	-
Total support and revenues	869,646	16,966	886,612
Expenses			
Program services	874,024	-	874,024
Management and general	81,866	-	81,866
Fundraising	46,304	-	46,304
Total expenses	1,002,194	-	1,002,194
Change in net assets	(132,548)	16,966	(115,582)
Net assets, beginning of year	664,083	-	664,083
Net assets, end of year	**$ 531,535**	**$ 16,966**	**$ 548,501**

Community Care Fellowship, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services						Supporting Services		
	Career Counseling Program	Dare to Dream	Resource Hub	Rapid Housing	Mobile Housing Navigation	Total program services	Management and general	Fundraising	Total
Salaries and benefits	$ 44,732	$ 67,389	$ 247,420	$ 378,704	$ 274,690	$ 1,012,935	$ 67,085	$ 38,729	$ 1,118,749
Housing and utility assistance	42,691	-	11,205	521,761	16,476	592,133	-	-	592,133
Benevolence	-	303	3,033	4,422	10,470	18,228	-	-	18,228
Depreciation	-	-	-	-	-	-	2,415	-	2,415
Food and supplies	5,825	55	46,678	25,505	29,107	107,170	5,825	3,495	116,490
Insurance	1,454	4,330	8,951	4,665	5,291	24,691	3,517	872	29,080
Postage and printing	626	-	-	-	264	890	626	11,009	12,525
Professional fees	4,250	4,250	4,250	6,545	6,119	25,414	19,997	2,500	47,911
Repairs and maintenance	2,590	2,590	17,840	13,861	14,914	51,795	-	-	51,795
Security	-	-	-	59,926	186,506	246,432	-	-	246,432
Utilities	2,771	2,220	29,484	-	16,517	50,992	2,771	1,663	55,426
Miscellaneous	-	-	5,736	1,138	716	7,590	412	247	8,249
	$ 104,939	**$ 81,137**	**$ 374,597**	**$ 1,016,527**	**$ 561,070**	**$ 2,138,270**	**$ 102,648**	**$ 58,515**	**$ 2,299,433**

Community Care Fellowship, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services						Supporting Services		
	Career Counseling Program	Dare to Dream	Resource Hub	Rapid Housing	Mobile Housing Navigation	Total program services	Management and general	Fundraising	Total
Salaries and benefits	$ 42,602	$ 90,439	$ 235,638	$ 122,947	$ 42,186	$ 533,812	$ 63,891	$ 36,885	$ 634,588
Housing and utility assistance	49,806	-	-	99,558	-	149,364	-	-	149,364
Benevolence	-	-	7,874	-	-	7,874	-	-	7,874
Depreciation	-	-	-	-	-	-	805	-	805
Food and supplies	3,214	-	55,931	-	-	59,145	3,214	1,929	64,288
Insurance	1,137	5,000	7,000	3,648	4,137	20,922	1,137	682	22,741
Postage and printing	268	-	-	-	268	536	268	4,547	5,351
Professional fees	2,000	2,000	2,000	2,000	2,000	10,000	10,658	1,000	21,658
Repairs and maintenance	1,658	1,658	15,528	3,792	10,533	33,169	-	-	33,169
Security	-	-	-	-	21,996	21,996	-	-	21,996
Telephone	-	300	2,065	-	-	2,365	-	125	2,490
Utilities	1,606	8,032	18,313	-	1,606	29,557	1,606	964	32,127
Miscellaneous	-	-	4,997	-	287	5,284	287	172	5,743
	$ 102,291	**$ 107,429**	**$ 349,346**	**$ 231,945**	**$ 83,013**	**$ 874,024**	**$ 81,866**	**$ 46,304**	**$ 1,002,194**

Community Care Fellowship, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash, beginning of year	$ 171,874	$ 210,769
Cash flows from operating activities		
Change in net assets	28,224	(115,582)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Donated securities	-	(8,198)
Unrealized (gain) loss on investments, net of fees	18,426	(12,145)
Interest and dividends reinvested	(4,932)	(8,011)
Sale of donated securities	-	8,198
Depreciation	2,415	805
Change in:		
Accounts receivable	-	102,828
Grants receivable	(102,529)	(68,875)
Accounts payable	(37,373)	(4,020)
Accrued expenses	(21,964)	53,814
Net cash provided (used) by operating activities	(117,733)	(51,186)
Cash flows from investing activities		
Proceeds from the sale of investments	170,000	19,536
Payments for the purchase of property and equipment	-	(7,245)
Net cash provided (used) by investing activities	170,000	12,291
Net change in cash	52,267	(38,895)
Cash, end of year	**$ 224,141**	**$ 171,874**

Note 1. **Nature of Activities**

About the Organization

Community Care Fellowship, Inc. (CCF or the Organization) is a not-for-profit organization formed to promote and coordinate urban mission and ministry in the Cumberland River District of the United Methodist Church. CCF is a ministry serving the homeless and near homeless in Nashville, Tennessee. Services provided through CCF include meals six days a week, facilities for showers and other personal hygiene services, laundry facilities, counseling, and mobile housing navigational program. A child daycare program is also provided to families below the poverty line.

CCF is operated out of the Nancy Webb Kelly United Methodist Church. Should CCF cease operations, all assets would revert to Nancy Webb Kelly United Methodist Church.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). Net assets and revenues, expenses, 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 that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may be, or will be, met by CCF's actions and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

CCF's policy is to capitalize all property and equipment over $5,000. Property and equipment acquisitions are recorded at cost. Donations of property 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 statement of activities 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 the asset, estimated at three years, and computed on the straight-line method.

Note 1. **Nature of Activities**

Fair Value

CCF determines the fair value of financial assets and liabilities that are required to be carried at such amounts in accordance with the *Fair Value Measurements and Disclosures* Topic of the Financial Accounting Standards Board Accounting Standards Codification. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

Level 3 – Fair value is determined using unobservable market prices in a market that is typically inactive.

Revenue Recognition

Contributions of Cash and Other Financial Assets

CCF is primarily through grants and contributions. Contributions are received from individuals, local churches and agencies, and other organizations. Contributions are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions received with donor restrictions that are met in the same year are recognized as increases in net assets without donor restrictions.

Grant revenues are recognized at the time the grant is awarded if there are no barriers for revenue recognition. Revenues from reimbursement-driven grants are recognized once the qualified reimbursable expenses are incurred and the right to collect exists. Grant receivables represent amounts due from grants which have been earned but not received. All grant receivables are reported at estimated collectible amounts.

Contributed Nonfinancal Assets (New Accounting Standard Adopted in 2022)

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) Topic 958: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was retroactively adopted by the Organization on January 1, 2022.

Income Taxes

CCF is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, CCF has made no provision for income taxes.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. CCF's functional expenses are allocated based on time and effort, except for depreciation which is wholly allocated to management and general services due to the nature of the property and equipment being depreciated.

Note 1. **Nature of Activities**

Leases (New Accounting Standard Adopted in 2022)
In February 2016, the FASB issued Accounting Standard Codification (ASC) Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition approach, the Organization has applied Topic 842 to reporting periods beginning on January 1, 2022.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization's operating leases of $12,941. The adoption of the new lease standard resulted in a no adjustment to the opening balance of net assets.

Advertising and Promotions
CCF expenses advertising costs as incurred.

Note 2. **Liquidity and Availability**

The following represents CCF's financial assets as of December 31:

	2022	2021
Financial assets		
Cash	$ 224,141	$ 171,874
Investments	220,990	404,484
Grants receivable	171,404	68,875
Total financial assets at year-end	616,535	645,233
Less amounts not available to be used within one year		
Net assets without donor restrictions, board designated	(100,000)	(100,000)
Net assets with donor restrictions	(111,966)	(16,966)
Financial assets available to meet cash needs for general expenditures within one year	**$ 404,569**	**$ 528,267**

CCF regularly monitors liquidity to meet its operating needs and strives to invest any excess funds. CCF structures its financial assets to be available to meet its general operations and to support its mission of providing resources to families and individuals who are at risk of chronic homelessness and poverty. Any available funds not needed for general operations are invested in funds managed by the United Methodist Foundation for the Tennessee/Western KY Conference or the United Methodist Development Fund of TN/KY, Inc.

Note 3. **Investments**

CCF holds investments with the United Methodist Foundation for the Tennessee/Western KY Conference or the United Methodist Development Fund of TN/KY, Inc. (the Funds). These investments are carried at fair value determined on December 31, 2022 and 2021, as reported by the Funds.

The following assets carried at fair value are reviewed and adjusted on a recurring basis based on information provided from investment custodians and available from market monitoring sources.

Fair value at December 31, 2022 is as follows:

	Level 1	Level 2	Level 3	Total
Development Fund accounts	$ -	$ 123,698	$ -	$ 123,698
Foundation investments	97,292	-	-	97,292
Investments at fair value	**$ 97,292**	**$ 123,698**	**$ -**	**$ 220,990**

Note 4. **Fair Value Measurements**

Fair value at December 31, 2021 is as follows:

	Level 1	Level 2	Level 3	Total
Development Fund accounts	$ -	$ 289,846	$ -	$ 289,846
Foundation investments	114,638	-	-	114,638
Investments at fair value	**$ 114,638**	**$ 289,846**	**$ -**	**$ 404,484**

Investment income is comprised of the following for the years ended December 31:

	2022	2021
Realized gains	$ 153	$ 10,110
Unrealized (losses) gains	(18,579)	3,122
Interest	3,852	1,808
Dividends	2,002	6,203
	(12,572)	21,243
Less: investment fees	(922)	(1,087)
Investment (loss) income, net	**$ (13,494)**	**$ 20,156**

Note 5. **Property and Equipment**

Property and equipment consist of the following at December 31:

	2022	2021
Computer database and software	$ 7,245	$ 7,245
Less: accumulated depreciation	(3,220)	(805)
Property and equipment	**$ 4,025**	**$ 6,440**

Note 6. **Leases**

The Organization leases real estate under operating lease agreements with initial terms ranging from 6 to 16 months. The Organization’s leases specify the locations may only be used for specific program purposes and do not contain residual value guarantees.

Two leases permitting the Organization to use space in local church buildings are considered short term leases (less than one year at implementation date January 1, 2022). These two leases fall under the accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less.

Note 6. **Leases**

One lease permitting the Organization to use space in a local church building did not contain an option to extend at implementation date January 1, 2022. This lease resulted in a right of use asset and offsetting liability for $12,941 at implementation and $0 at year end due to the expiration of the lease.

One lease for commercial rentable units included a single option to extend the lease, however, the entity does not intend to extend the lease due to the uncertainty of funding. The lessee's rent was determined by the number of rentable units occupied and therefore no right of use asset or liability was recorded in the financial statements due to rent being variable and based on a non-rate, non-index factor that could not be reasonably forecasted.

Supplemental cash flow information related to leases is as follows for the year period ended of December 31, 2022:

Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows, payments on operating leases	$	514,914

Note 7. **Board Designated Investments**

CCF holds investments of $100,000 as an operating reserve that may not be spent without board approval.

Note 8. **Net Assets with Donor Restrictions**

Net assets with donor restrictions consisted of the following at year end:

		2022		2021
Computer database purchase and development	$	16,966	$	16,966
Salary expenses		80,000		-
Program specific funding		15,000		-
Property and equipment	**$**	**111,966**	**$**	**16,966**

Note 9. **Kern Memorial Property Fund**

The United Methodist Foundation for the Tennessee/Western KY Conference maintains investments, known as the Kern Memorial Property Fund (the Fund), on behalf of the United Methodist Church. The Fund was created from the sale of a church building. By action of the Tennessee Annual Conference of the United Methodist Church, CCF's Board of Directors was authorized as trustees of this Fund and is permitted to use monies earned by the $200,000 corpus. As the United Methodist Church has ultimate authority and control over the investments, the net assets of CCF do not include these investments. The balance of the Fund held for the benefit of CCF totaled $194,583 and $229,275 at December 31, 2022 and 2021, respectively. No distributions to CCF occurred in 2022 and $38,437 was distributed to CCF in 2021.

Note 10. **Use of Related Party Facilities**

CCF is operating out of the Nancy Webb Kelly United Methodist Church (the Church). No lease agreement exists between the two parties. In lieu of lease payments, CCF is responsible for all leasehold improvements related to their occupancy. Due to the nature of the arrangement, such leasehold improvements are considered donations to the Church and are immediately expensed.

Note 11. **Concentrations**

One donor accounted for 10% of total revenues as of December 31, 2021.

Two grantors comprised approximately 66% of all support and revenue as of December 31, 2022.

Note 12. **Contingency**

On July 17, 2023 a complaint was filed in the Circuit Court for Davidson County, Tennessee, against the Organization and two other defendants. The law firm representing the Organization has filed a motion to dismiss the complaint for failure to state a claim upon which relief can be granted. The Organization plans to provide continued defense against this complaint.

Note 13. **Subsequent Events**

CCF has evaluated subsequent events through September 28, 2023, the date on which the financial statements were available to be issued.

Compliance Information

Community Care Fellowship
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Grantor, Pass-through Grantor, Program Name	Assistance Listing No.	Contract number	Expenditures
Federal Awards			
U.S. Department of Housing and Urban Development			
Passed through Metropolitan Government of Nashville & Davidson County			
Passed through Metropolitan Development and Housing Agency			
COVID-19 - Community Development Block Grants	14.218	n/a	$ 34,602
Total CDBG - Entitlement Grants Cluster			34,602
Passed through Metropolitan Government of Nashville & Davidson County			
Passed through Metropolitan Development and Housing Agency			
COVID-19 - Emergency Solutions Grants Program	14.231	n/a	943,936
U.S. Department of Health and Human Services			
Passed through the State of Tennessee Department of Human Services			
COVID-19 - Child Care and Development Block Grant	93.575	2101TNCSC6	55,646
Total CCDF Cluster			55,646
Total federal awards			**$ 1,034,184**

Note 1. **Basis of Accounting**

The schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations and the requirements of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 2. **Indirect Cost Rate**

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

BLANKENSHIP

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
Community Care Fellowship, Inc.

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 (*Government Auditing Standards*), the financial statements of Community Care Fellowship, Inc. (a not-for-profit organization, the Organization), which comprise the statement of financial position as of December 31, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements as listed in the table of contents, and have issued our report thereon dated September 28, 2023.

Report on Internal Control Over Financial Reporting

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.

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 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*.

The Organization's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
September 28, 2023

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

Board of Directors
Community Care Fellowship, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Community Care Fellowship, Inc.'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 December 31, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 *US 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 Auditor's 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 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the 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 grant agreements applicable to the Organization's federal programs.

Auditor's 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 GAAS, *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 GAAS, *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 considered 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 with 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 identified 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 a 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 Auditor's 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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
September 28, 2023

Community Care Fellowship, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

Section I. **Summary of Auditor's Results**

Financial Statements	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with US GAAP	Unmodified
Internal control over financial reporting	
Material weakness identified?	Yes
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major federal programs	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs (Assistance Listing and name of federal program or cluster)	
14.231 Emergency Solutions Grants Program	
Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee?	No

Section II. **Financial Statement Findings**

Finding 2022-001 – Financial Reporting and Basis of Accounting
Condition/Context: Net assets were not reconciled to the 2021 audited financial statements and a material adjusting entry to revenue was required for the current year financial statements.

Criteria: Accounting records should be maintained in accordance with U.S. GAAP.

Cause: Net assets were not reconciled to the 2021 audited financial statements and revenues were reflected as deferred revenue instead of being recognized as revenue in accordance with U.S. GAAP.

Effect: Material audit adjustments were made to the financial statements for them to be in accordance with U.S. GAAP.

Recommendation: We recommend net assets be reconciled to the audited financials and revenues be evaluated for barriers and restrictions.

Management Response: We agree with the finding and recommendation.

Section III. **Federal Award Findings and Questioned Costs**

None

Section I. **Financial Statement Findings**

There were no prior year findings reported.

Section II. **Federal Award Findings and Questioned Costs**

There were no prior year findings or questioned costs reported.

COMMUNITY CARE
FELLOWSHIP

September 28, 2023

Management's Corrective Action Plan

Community Care Fellowship, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2022.

Finding 2022-001 – Financial Reporting and Basis of Accounting

Condition/Context: Net assets were not reconciled to the 2021 audited financial statements and a material adjusting entry to revenue was required for the current year financial statements.

Criteria: Accounting records should be maintained in accordance with U.S. GAAP.

Cause: Net assets were not reconciled to the 2021 audited financial statements and revenues were reflected as deferred revenue instead of being recognized as revenue in accordance with U.S. GAAP.

Effect: Material audit adjustments were made to the financial statements for them to be in accordance with U.S. GAAP.

Recommendation: We recommend net assets be reconciled to the audited financials and revenues be evaluated for barriers and restrictions.

Management Response: We agree with the finding and recommendation.

Person Responsible: Ryan LaSuer, Executive Director.

Completion Date: October 31, 2023