Project Return, Inc.
Financial Statements
June 30, 2022 and 2021

Project Return, Inc.
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PART I

FINANCIAL STATEMENTS

Independent Auditor's Report

To the Board of Directors
Project Return, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Project Return, Inc. ("Agency"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements (collectively, the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Return, Inc. as of June 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 Project Return, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, 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 of Project Return, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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 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

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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 Project Return, 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 Project Return, 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 awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*s, and the Board of Directors are presented for purposes of additional analysis and are 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, except for that portion marked "unaudited", 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. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it. In our opinion, except for that portion marked "unaudited", 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 June 30, 2023 on our consideration of Project Return, 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 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 Project Return, 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 Project Return, Inc.'s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Athens, AL
June 30, 2023

Project Return, Inc.
Statements of Financial Position
June 30, 2022 and 2021

ASSETS

	2022	2021
Current assets		
Cash	$ 575,043	$ 1,405,446
Receivables		
Financial assistance awards	435,798	202,291
Contractual agreements	403,917	550,966
Prepaid expenses	7,344	10,855
Investments	2,114,744	6,000
Inventory	112,926	63,793
Total current assets	3,649,772	2,239,351
Property and equipment, net	4,203,290	3,063,756
Total assets	$ 7,853,062	$ 5,303,107

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities		
Accounts payable	$ 15,784	$ 280,115
Accrued expenses and other liabilities	116,488	25,540
Line of Credit	200,000	-
Long-term debt, current portion	534,638	162,919
Total current liabilities	866,910	468,574
Long-term debt, net of current portion	787,538	986,772
Total liabilities	1,654,448	1,455,346
Net assets		
Without donor restrictions	5,934,079	3,595,369
With donor restrictions	264,535	252,392
Total net assets	6,198,614	3,847,761
Total liabilities and net assets	$ 7,853,062	$ 5,303,107

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

Project Return, Inc.
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2022 and 2021

Changes in net assets without donor restrictions	**2022**	**2021**
Support and revenues		
Public support		
Corporate and foundation grants	$ 3,437,333	$ 1,319,469
Contributions	202,025	202,817
In-Kind	-	26,441
Federal and state government		
Financial assistance awards	1,222,461	1,565,968
Contractual agreements	1,793,420	798,521
State of Tennessee appropriation	832,000	832,000
Rental income	154,823	129,835
Contract services	1,536,474	1,023,615
Miscellaneous	274	769,541
Interest and investment income	84,363	2,424
Net assets released from restrictions	50,340	46,235
Total support and revenues	9,313,513	6,716,866
Expenses		
Program services	5,018,084	3,546,395
Management and general	1,847,680	1,245,558
Fundraising	109,040	189,105
Total expenses	6,974,804	4,981,058
Change in net assets without donor restrictions	2,338,709	1,735,808
Changes in net assets with donor restrictions		
Corporate and foundation grants	62,484	186,564
Net assets released from restrictions	(50,340)	(46,235)
Change in net assets with donor restrictions	12,144	140,329
Total change in net assets	2,350,853	1,876,137
Net assets, beginning of year	3,847,761	1,971,624
Net assets, end of year	$ 6,198,614	$ 3,847,761

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

Project Return, Inc.
Statements of Cash Flows
For the Year Ended June 30, 2021 and 2020

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 2,350,853	$ 1,876,137
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	223,602	132,926
Bad Debt Expense	61,517	-
PPP Loan Forgiveness	-	(610,175)
Imputed interest	(62,484)	(191,271)
Amortization of imputed interest	50,340	45,575
Change in operating assets and liabilities		
Financial assistance awards receivable	(295,024)	11,898
Contractual agreements receivable	147,049	(518,321)
Prepaid expenses	3,511	(4,482)
Inventory	(49,133)	(63,793)
Accounts payable	(264,331)	256,290
Accrued expenses and other liabilities	90,948	(95,087)
Net cash provided by operating activities	2,256,848	839,697
Cash flows from investing activities:		
Purchases of investments	(2,108,744)	(6,000)
Payments for property and equipment	(1,363,136)	(1,691,709)
Net cash used by investing activities	(3,471,880)	(1,697,709)
Cash flows from financing activities:		
Net borrowings on line of credit	200,000	-
Payments on long-term debt	(88,771)	(49,496)
Proceeds from long-term debt	273,400	681,500
Net cash provided by financing activities	384,629	632,004
Net decrease in cash	(830,403)	(226,008)
Cash, beginning of year	1,405,446	1,631,454
Cash, end of year	$ 575,043	$ 1,405,446
Supplemental disclosures of cash flow information		
Cash payments for interest	$ 2,377	$ 1,648

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

NOTE 1 – GENERAL

Project Return, Inc. (the Agency) is a Tennessee not-for-profit corporation which provides counseling and the teaching of job skills to prisoners in conjunction with their release from institutional custody and return to society. The Agency is supported primarily through federal and state government financial assistance awards and contractual agreements, an appropriation from the State of Tennessee, corporate and foundation grants, and private contributions.

On February 3, 2017, the Agency formed a wholly owned limited liability company, InnoVestments, LLC (IVL), pursuant to the Tennessee Revised Limited Liability Company Act, Tenn. Code Ann. Section 48-249-101. The purpose of IVL is to own and operate real property used in the programs of the Agency. The accounts of IVL are included in this presentation and all intercompany transactions have been eliminated.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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 (U.S. GAAP).

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

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Agency. These net assets may be used at the discretion of the Agency's management and the Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Contributions, Support, and Receivables

Contributions are received and recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions received and unconditional promises to give are measured at their estimated fair values and are reported as an increase in net assets. 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 statement of activities as net assets released from restrictions.

Revenues from financial awards are recognized in the period that a liability is incurred for eligible expenditures under the terms of the grant agreements. Financial assistance awards received prior to expenditure are recorded initially as grantor advances.

Contractual agreement revenues are recognized in the period the services are performed.

The Agency uses the allowance method to determine uncollectible receivables related to contributions and support receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance was deemed necessary as of June 30, 2022 and 2021. All receivables are classified as current as they are expected to be collected within one year.

Cash

Cash includes checking and money market deposits held by financial institutions.

Property and Equipment and Depreciation

It is the Agency's policy to capitalize all property and equipment over $1,000. Acquisitions are recorded at cost. Donations of property and equipment are recorded as revenues at their estimated fair value. Such donations are reported as increases to net assets without donor restrictions 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 the statements of functional expenses 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 lives of the assets ranging from five to thirty-nine years and computed on the straight-line method.

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Agency received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). U.S. GAAP provides companies with several alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; 2) proceeds can be treated as an income grant where they recognize a deferred income liability and derecognize the liability, and recognize income or reduce expenses, as they incur and recognize qualifying payroll and other operating costs that they estimate with reasonable assurance meet the conditions necessary for forgiveness; 3) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived; or 4) proceeds can be recognized as a liability and derecognize the liability, and recognize income, as all conditions for forgiveness are met. The Agency elected to originally treat the PPP loan as debt and the forgiveness as income. During the year ended June 30, 2021, the Agency applied for and was granted forgiveness of the loan amount and included the forgiveness as miscellaneous income on the statement of activities and changes in net assets.

Inventory

Inventory consists of apparel and bus passes for use by individuals served by the programs of the Agency. The Agency values these inventory items at the lower of cost (using first-in, first-out method) or net realizable value.

Donated Goods and Services

Donated goods are recorded at fair value in the period the goods are received. Donated services are recognized if they create or enhance non-financial assets or the donated service requires specialized skills, was performed by the donor who possesses such skills, and would have been purchased by the Agency if not provided by the donor. Such services are recognized at fair value as support and expense in the period in which the services are performed.

Advertising

All advertising costs are expensed when incurred.

Functional Allocation of Expenses

The following program and supporting services classifications are included in the accompanying financial statements. Program services consist of an adult program, which provides direct referrals to employment services, educates the public regarding criminal justice issues, and supports successful transitions back into the community through life skills training.

Management and general includes the functions necessary to ensure an adequate working environment. These costs are not identifiable with a particular program or with fundraising but are indispensable to the conduct of those activities and are essential to the Agency. Specific activities include oversight, business management, budgeting, recordkeeping, financing, and other administrative activities.

Fundraising includes costs of activities directed toward appeals for financial support including special events. Other activities include the cost of solicitation, creation, and distribution of fundraising materials.

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and non-financial data or subjective methods determined by management.

Income Taxes

The Agency 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.

U.S. GAAP requires the Agency to evaluate tax positions taken by the Agency and recognize a tax liability (or asset) if the Agency has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Agency and has concluded that, as of June 30, 2022, 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 Agency is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Agency is no longer subject to U.S. federal income tax examinations by tax authorities for years ended prior to June 30, 2019.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the Agency’s financial assets at June 30:

	2022	2021
Financial assets:		
Cash	$ 575,043	$ 1,405,446
Investments	2,114,744	6,000
Receivables	839,715	753,257
Total financial assets at year-end	$ 3,529,502	$ 2,164,703

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2022	2021
Furniture and equipment	$ 129,055	$ 89,572
Vehicles	386,897	337,787
Buildings	4,124,736	2,576,174
Construction in progress	-	274,019
Land	225,443	225,443
	4,866,131	3,502,995
Less accumulated depreciation	(662,841)	(439,239)
	$ 4,203,290	$ 3,063,756

Depreciation expense was $223,602 and $132,926 for 2022 and 2021, respectively.

NOTE 5 – LINE OF CREDIT

The Agency has a $250,000 line of credit with a financial institution that was originated in July 2018. Borrowings under the line bear interest at the financial institution's prime rate plus 1.25%. Borrowings are secured by the assets of the Agency. Outstanding borrowings total $200,000 and $0 as of June 30, 2022 and 2021, respectively.

NOTE 6 – LONG TERM DEBT

The Agency's long-term debt consists of the following at June 30:

	2022	2021
Note payable to CapStar Bank, monthly fixed principal payments of $636 plus accrued interest, variable interest rate of prime less 4.0% (1.5% at June 30, 2022), all unpaid principal and interest due July 2022, collateralized by real estate. This note has been recorded net of unamortized discount of $2,027 imputed at the rate of 4%.	$ 151,979	$ 153,804
Note payable to CapStar Bank, monthly installment payments of $542, variable interest rate of prime less 4.0% (1.5% at June 30, 2022), all unpaid principal and interest due September 2022, collateralized by real estate. This note has been recorded net of unamortized discount of $1,268 imputed at the rate of 4.5%.	129,469	130,679
Note payable to CapStar Bank, monthly fixed principal payments of $950 plus accrued interest, variable interest rate of prime less 4.0% (1.5% at June 30, 2022), all unpaid principal and interest due November 2022, collateralized by real estate. This note has been recorded net of unamortized discount of $4,232 imputed at the rate of 4.5%.	228,429	229,519

	2022	2021
Note payable to CapStar Bank, monthly fixed principal payments of $552 plus accrued interest, variable interest rate of prime less 4.0% (1.5% at June 30, 2022), all unpaid principal and interest due April 2026, collateralized by real estate. This note has been recorded net of unamortized discount of $23,050 imputed at the rate of 4.5%.	134,357	135,271
Note payable to CapStar Bank, monthly fixed principal payments of $600 plus accrued interest, variable interest rate of prime less 4.0% (1.5% at June 30, 2022), all unpaid principal and interest due April 2026, collateralized by real estate. This note has been recorded net of unamortized discount of $24,520 imputed at the rate of 4.5%.	145,880	147,122
Note payable to Pinnacle Bank, monthly installment payments of $486, variable interest rate of prime less 4.0% (1.5% at June 30, 2022), all unpaid principal and interest due February 2038, collateralized by real estate. This note has been recorded net of unamortized discount of $20,134 imputed at the rate of 4.5%.	68,293	70,899
Note payable to Pinnacle Bank, monthly installment payments of $330, variable interest rate of prime less 4.75% (1.5% at June 30, 2022), all unpaid principal and interest due February 2035, collateralized by real estate. This note has been recorded net of unamortized discount of $22,883 imputed at the rate of 4%.	75,652	76,478
Note payable to Pinnacle Bank, monthly installment payments of $933, variable interest rate of prime less 4.75% (1.5% at June 30, 2022), all unpaid principal and interest due July 2035, collateralized by real estate. This note has been recorded net of unamortized discount of $110,589 imputed at the rate of 4%.	203,945	205,919
Note payable to CapStar Bank, monthly installment payments of $1,416 variable interest rate of 3.50%, all unpaid principal and interest due March 2027, collateralized by real estate.	73,495	-
Note payable to CapStar Bank, monthly fixed principal payments of $578 plus accrued interest, variable interest rate of prime less 4.5% (1.5% at June 30, 2022), all unpaid principal and interest due January 2037, collateralized by real estate. This note has been recorded net of unamortized discount of $60,824 imputed at the rate of 4.5%.	110,677	-
	1,322,176	1,149,691
Less current portion	(534,638)	(162,919)
	$ 787,538	$ 986,772

The following table represents future maturities of long-term debt:

Year ending June 30,		
2023	$	534,638
2024		25,104
2025		26,143
2026		303,388
2027		21,697
Thereafter		411,206
	$	1,322,176

NOTE 7 – NET ASSETS

The net assets with donor restrictions from corporate and foundation grants at June 30, 2022 are attributable to grants from various donors for specific program services or event sponsorships totaling $264,535. There were no net assets with donor restrictions from project restrictions as a result of the Agency holding and disbursing funds on behalf of another charitable organization.

The net assets with donor restrictions from corporate and foundation grants at June 30, 2021 are attributable to grants from various donors for specific program services or event sponsorships totaling $252,392. There were no net assets with donor restrictions from project restrictions as a result of the Agency holding and disbursing funds on behalf of another charitable organization.

NOTE 8 – DONATED GOODS AND SERVICES

In-kind contributions of food and supplies totaling $0 and $26,441 have been included in changes in net assets without donor restrictions in the financial statements for the years ended June 30, 2022 and 2021, respectively.

NOTE 9 – CONCENTRATIONS

Financial assistance awards, contractual agreements, and appropriations comprised 42% and 49% of the Agency's total support and revenues for the years ended June 30, 2022 and 2021, respectively. At June 30, 2022, there were 2 contracts that represented 39% of total revenues. At June 30, 2021, there were 2 contracts that represented 27% of total revenues. At June 30, 2022, there were two customers who represented 43% and 14% of accounts receivables. At June 30, 2021, there was one customer who represented 12% of accounts receivables. Contract services accounted for 17% and 15% of total support and revenues for the years ended June 30, 2022 and 2021, respectively.

Financial instruments that potentially subject the Agency to concentrations of credit risk include cash on deposit with financial institutions and receivables from financial assistance awards, contractual agreements, and support received from these agencies. Substantially all receivables for the years ended June 30, 2022 and 2021 were from these sources.

The Agency's cash on deposit with financial institutions may at times exceed the federally insured limit of $250,000. The Agency had cash on deposit in excess of the federally insured limit totaling approximately $288,790 and $875,449 at June 30, 2022 and 2021, respectively.

NOTE 10 – LEASING ARRANGEMENTS

The Agency has operating leases for office space. Future estimated minimum lease payments required under these leases are as follows:

Year ending June 30,		
2023	$	205,896
2024		103,848
2025		103,848
	$	413,592

Rental expense for office space and office equipment was $238,288 and $245,266 for the years ended June 30, 2022 and 2021, respectively.

The Agency leases property to individuals served by their programs. These leases act as an affordable housing alternative for the individuals and contain various monthly payments and maturities. Rental income under these leases was $154,823 and $129,835 for the years ending June 30, 2022 and 2021, respectively.

NOTE 11 – COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

The Agency has received various government grants for specific purposes that are subject to review and audit by grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to grantors.

NOTE 12 – SUBSEQUENT EVENTS

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition and disclosure through the date of the auditors' report, which was the date the financial statements were available to be issued.

NOTE 13 – FUNCTIONAL EXPENSES

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs and depreciation, which are allocated on a square footage basis; and supplies and telephone costs, which are allocated based on usage estimates. For 2022 and 2021, natural expense accounts were allocated as follows:

Functional Expenses as of June 30, 2022

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Compensation and related costs				
Salaries and contract labor	$ 3,100,268	$ 521,230	$ 72,728	$ 3,694,226
Employee benefits	445,059	104,758	9,185	559,002
Payroll taxes	254,263	40,515	5,503	300,281
	3,799,590	666,503	87,416	4,553,509
Advertising	-	8,040	5,000	13,040
Aid to clients	398,111	37	-	398,148
Bank service charge	-	8,078	-	8,078
Building maintenance	89,222	76,520	-	165,742
Dues and memberships	14,114	28,245	613	42,972
Equipment rental and maintenance	92,642	30,425	-	123,067
Fundraising	-	-	8,945	8,945
Insurance	75,177	(7,136)	894	68,935
Interest	-	56,374	-	56,374
Meetings	527	2,689	99	3,315
Office supplies	7,082	72,076	7	79,165
Postage	489	5,623	-	6,112
Printing	5,546	27,765	174	33,485
Professional fees	85,790	427,792	750	514,332
Program supplies	73,054	6,168	-	79,222
Rent	90,278	143,942	4,068	238,288
Staff development	2,083	6,060	-	8,143
Telecommunications	22,121	9,353	150	31,624
Travel	114,273	46,729	-	161,002
Taxes and fees	49,796	285	-	50,081
Miscellaneous	61,517	-	-	61,517
	-	513	-	513
Utilities	36,672	7,997	924	45,593
Total expenses	5,018,084	1,624,078	109,040	6,751,202
Depreciation	-	223,602	-	223,602
Total functional expenses	$ 5,018,084	$ 1,847,680	$ 109,040	$ 6,974,804

Functional Expenses as of June 30, 2021

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Compensation and related costs				
Salaries and contract labor	$ 2,111,218	$ 453,431	$ 111,135	$ 2,675,784
Employee benefits	290,166	66,859	13,129	370,154
Payroll taxes	173,001	35,817	8,705	217,523
	2,574,385	556,107	132,969	3,263,461
Advertising	8,400	-	11,453	19,853
Aid to clients	268,781	118	-	268,899
Building maintenance	105,481	78,791	-	184,272
Dues and memberships	4,450	5,290	2,423	12,163
Equipment rental and maintenance	45,815	32,054	-	77,869
Fundraising	-	-	16,977	16,977
Insurance	49,271	12,020	2,656	63,947
Interest	41,779	-	-	41,779
Meetings	360	1,684	-	2,044
Office supplies	8,400	78,712	1,377	88,489
Postage	130	6,248	275	6,653
Printing	6,920	11,803	7,591	26,314
Professional fees	74,215	193,688	450	268,353
Program supplies	73,222	484	289	73,995
Rent	133,096	102,066	10,104	245,266
Staff development	2,617	3,824	249	6,690
Telecommunications	23,654	674	260	24,588
Travel	56,250	10,077	-	66,327
Taxes and fees	35,277	1,349	260	36,886
Miscellaneous	2,552	12,152	-	14,704
Utilities	31,340	5,491	1,772	38,603
Total expenses	3,546,395	1,112,632	189,105	4,848,132
Depreciation	-	132,926	-	132,926
Total functional expenses	$ 3,546,395	$ 1,245,558	$ 189,105	$ 4,981,058

Project Return, Inc.
Board of Directors (Unaudited)

Mark Epps, President

Charles Story, Vice President

Elijah Truitt, Secretary

Ike Nwaelele, Treasurer

Dewayne King

Carol Creswell-Betsch

Kelly Harter

Edwin Sanders

Jenny Charles

Molly Ruberg

Bob Brewer

Elaina Al-Nimri

Bernard Turner

PART II

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

MAULDIN & JENKINS
CPAs & ADVISORS

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*

To the Board of Directors
Project Return, 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, the financial statements of Project Return, Inc., a nonprofit organization, which comprise the statements of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Project Return, Inc.'s internal control over financial reporting ("internal control") as a basis for designing the 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 Project Return, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Project Return, 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Project Return, Inc.'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 statement. 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*.

Project Return, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Project Return, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Project Return, Inc.'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.

Mauldin & Jenkins, LLC

Athens, AL
June 30, 2023

MAULDIN & JENKINS
CPAs & ADVISORS

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

To the Board of Directors
Project Return, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Project Return, Inc. 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 Project Return, Inc.'s major federal programs for the year ended June 30, 2022. Project Return, Inc.'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, Project Return, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Project Return, Inc. 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 Project Return, Inc.'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 Project Return, Inc'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 Project Return, Inc's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Project Return, Inc's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Project Return, Inc'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 Project Return, Inc'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 Project Return, Inc'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.

Mauldin & Jenkins, LLC

Athens, AL
June 30, 2023

PART III

SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

Project Return, Inc.
Schedule of Expenditures of Federal Awards
June 30, 2022

Grantor / Pass-Through Grantor	Program Name	Assistance Listing Number	Contract Number	Passed Through to Subrecipients	Expenditures
Federal Awards					
Passed Through					
Department of Transportation /					
Tennessee Department of Transportation,					
Nashville Metropolitan Transit Authority	Job Access Reverse Commute	20.516	2021982-PRI	$ -	$ 156,258
Department of Health and Human Services					
Tennessee Department of Human Services	Temporary Assistance for Needy Families	93.558	34513-36320; 34513-36921	-	1,791,312
Tennessee Department of Mental Health and Substance Abuse Services	Opioid STR	93.788	69860	-	91,211
Total Federal Award Expenditures				$ -	$ 2,038,781
State Financial Assistance					
Tennessee Department of Corrections	Direct Appropriations Grant	N/A	N/A	$ -	$ 832,000
Total State Financial Assistance Expenditures				$ -	$ 832,000
Total Federal Awards and State Financial Assistance Expenditures				$ -	$ 2,870,781

See accompanying notes to schedule of expenditures of federal awards.

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the Agency under programs of the federal and state governments for the year ended June 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). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency. 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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The awards are classified into Type A and Type B categories in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Programs classified as Type A are as follows:

Temporary Assistance for Needy Families

Federal Assistance Listing Numbers

Assistance Listing Numbers (ALN) are assigned to contracts and grants on the basis of program type. Pass-through numbers and AL numbers are presented where available.

NOTE 2 – LOANS OUTSTANDING

The Agency has no federal or state loans outstanding as of June 30, 2022.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For purposes of the Schedule, expenditures for federal award programs are recognized on the accrual basis of accounting. Expenditures for federal awards are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Agency has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

PART IV

SCHEDULES OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	x no
Significant deficiency(ies) identified?	x yes	____ none reported
Noncompliance material to financial statements noted?	____ yes	x no

Federal Awards

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

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
93.558	Temporary Assistance for Needy Families

Threshold used to determine Type A and Type B Programs:	$ 750,000	
Auditee qualified as low-risk auditee?	x yes	___ no

Section II – Financial Statement Findings

FINDING 2022-001

REFERENCE
2022-001 - Financial Statement Finding

CRITERIA: Timeliness of Adjustments **-** 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.

CONDITION: During the audit, we noted two journal entries to the general ledger amounts that were made to correct (i) payroll accrual needed at year end and (ii) and bad debt allowance associated with the write off of a grant receivable. The effect of these entries individually and in the aggregate were considered significant to the financial statements. The auditor recommends that policies and procedures be implemented to ensure that proper cutoff of payroll liabilities and that all receivables are reviewed for needed allowances at each year end.

CAUSE/EFFECT: Management did not have detective or preventative controls in place that indicated the needed adjustment needed to be made on a timely basis as the entries. The net effect of these entries in aggregate were significant to the overall financial statements.

RECOMMENDATION: The auditor recommends that management review these accounts and implement controls to ensure that timely adjustments are made to the financial statements.

VIEW OF RESONSIBLE OFFICIALS: Management concurs with this finding and will reassess controls, review these accounts and implement controls to ensure that timely adjustments are made to the financial statements.

PROJECT return

MANAGEMENTS RESPONSE (UNAUDITED)

2022-001

Management's Response:
Management concurs with this finding and has reassessed controls to prevent any future occurrence.

Views of Responsible Officials and Corrective Action:
We will work to implement policies to ensure that each general ledger account has had the appropriate adjustments to be in conformity to generally accepted accounting principles.

Name of Responsible Person:
Elizabeth Hayes, Executive Director

Implementation Date:
Immediately

Section III – Federal Award Findings and Questioned Costs

The audit did not disclose any findings or questioned costs required to be reported.

Schedule of Prior Year Findings and Questioned Costs

No matters were reported.