PROJECT RETURN, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2018 AND 2017

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BLANKENSHIP CPA GROUP, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Project Return, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of Project Return, Inc. (the "Agency"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Return, Inc. as of June 30, 2018 and 2017, 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.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018 on our consideration of the Agency'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 Agency'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 Agency's internal control over financial reporting and compliance.

Blankenship CPA Group, PLLC

November 15, 2018

PROJECT RETURN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash	$ 424,286	$ 383,717
Federal and state government receivables		
Financial assistance awards	208,187	96,066
Contractual agreements	12,198	90,734
Prepaid expenses	18,603	14,468
Inventory	5,440	20,461
TOTAL CURRENT ASSETS	668,714	605,446
PROPERTY AND EQUIPMENT, NET	1,353,803	341,197
TOTAL ASSETS	$ 2,022,517	$ 946,643

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable	$ 12,109	$ 22,289
Accrued expenses	42,724	36,998
Other liabilities	7,294	6,713
Long-term debt, current	5,282	7,632
TOTAL CURRENT LIABILITIES	67,409	73,632
Long-term debt	594,770	181,458
TOTAL LIABILITIES	662,179	255,090
NET ASSETS		
Unrestricted	1,166,245	642,675
Temporarily restricted	194,093	48,878
TOTAL NET ASSETS	1,360,338	691,553
TOTAL LIABILITIES AND NET ASSETS	$ 2,022,517	$ 946,643

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

PROJECT RETURN, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Changes in Unrestricted Net Assets		
Support and Revenues		
Public support		
Corporate and foundation grants	$ 308,847	$ 174,334
Contributions	125,136	84,881
Donated goods	66,847	48,474
Federal and state government		
Financial assistance awards	1,348,448	523,538
Contractual agreements	180,995	163,000
State of Tennessee appropriation	832,000	832,000
Net assets released from restrictions	67,760	87,066
Total public support	2,930,033	1,913,293
Operating revenues		
Rental Income	31,893	7,485
Contract services	502,357	611,911
Total operating revenues	534,250	619,396
Total unrestricted support	3,464,283	2,532,689
Other revenues		
Miscellaneous	864	675
Interest income	1,154	1,202
Total other revenues	2,018	1,877
Total support and revenues	3,466,301	2,534,566
Functional expenses		
Program services	2,271,004	1,767,813
Supporting services		
Management and general	478,968	231,220
Fundraising	192,759	178,150
Total unrestricted functional expenses	2,942,731	2,177,183
Increase in unrestricted net assets	523,570	357,383

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

PROJECT RETURN, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Changes in Temporarily Restricted Net Assets		
Corporate and foundation grants	206,621	43,500
Project restriction	6,354	5,378
Net assets released from restrictions	(67,760)	(87,066)
Increase (decrease) in temporarily restricted net assets	145,215	(38,188)
INCREASE IN NET ASSETS	668,785	319,195
NET ASSETS - BEGINNING OF YEAR	691,553	372,358
NET ASSETS - END OF YEAR	$ 1,360,338	$ 691,553

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

PROJECT RETURN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Compensation and related costs				
Salaries and contract labor	$ 1,238,268	$ 242,924	$ 115,127	$ 1,596,319
Employee benefits	176,642	41,649	9,255	227,546
Payroll taxes	102,506	18,385	9,087	129,978
	1,517,416	302,958	133,469	1,953,843
Advertising	-	-	16,826	16,826
Aid to clients	314,351	360	-	314,711
Bad debt	12,716	-	-	12,716
Building maintenance	16,311	2,341	130	18,782
Dues and memberships	3,967	3,090	563	7,620
Equipment rental and maintenance	17,034	6,275	366	23,675
Fundraising	-	-	17,906	17,906
Insurance	23,918	4,504	507	28,929
Interest	21,452	-	-	21,452
Meetings	1,771	2,222	847	4,840
Miscellaneous	29	1,223	-	1,252
Office supplies	15,271	33,867	1,077	50,215
Postage	3,964	1,197	382	5,543
Printing	1,622	3,269	5,473	10,364
Professional fees	114,863	79,157	6,015	200,035
Program supplies	23,354	128	-	23,482
Rent	68,264	13,667	4,371	86,302
Staff development	3,014	1,703	199	4,916
Telecommunications	7,604	832	289	8,725
Travel	34,055	12,739	744	47,538
Taxes and fees	15,885	295	255	16,435
Utilities	18,863	2,096	541	21,500
Total expenses	2,235,724	471,923	189,960	2,897,607
Depreciation	35,280	7,045	2,799	45,124
Total functional expenses	$ 2,271,004	$ 478,968	$ 192,759	$ 2,942,731

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

PROJECT RETURN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Compensation and related costs				
Salaries and contract labor	$ 1,060,425	$ 130,537	$ 107,379	$ 1,298,341
Employee benefits	126,118	14,210	14,218	154,546
Payroll taxes	85,992	10,458	8,602	105,052
	1,272,535	155,205	130,199	1,557,939
Aid to clients	220,798	-	-	220,798
Building maintenance	7,833	646	260	8,739
Dues and memberships	1,380	4,486	825	6,691
Equipment rental and maintenance	11,549	1,091	540	13,180
Fundraising	-	-	9,970	9,970
Insurance	12,149	4,609	792	17,550
Meetings	1,572	1,482	585	3,639
Miscellaneous	-	1,537	-	1,537
Office supplies	22,223	11,194	3,118	36,535
Postage	3,970	450	577	4,997
Printing	4,502	2,781	6,527	13,810
Professional fees	81,041	29,198	6,267	116,506
Program supplies	9,870	-	-	9,870
Rent	53,019	10,779	7,485	71,283
Staff development	925	36	5,169	6,130
Telecommunications	5,744	790	494	7,028
Travel	33,779	3,878	2,764	40,421
Taxes and fees	2,727	50	-	2,777
Utilities	8,621	1,167	1,163	10,951
Total expenses	1,754,237	229,379	176,735	2,160,351
Depreciation	13,576	1,841	1,415	16,832
Total functional expenses	$ 1,767,813	$ 231,220	$ 178,150	$ 2,177,183

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

PROJECT RETURN, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 668,785	$ 319,195
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	45,124	16,832
Imputed interest	(122,393)	-
Change in operating assets and liabilities		
Financial assistance awards receivable	(112,121)	(46,333)
Contractual agreements receivable	78,536	36,845
Prepaid expenses	(4,135)	11,102
Inventory	15,021	(11,267)
Accounts payable	(10,180)	(1,398)
Accrued expenses	5,726	11,698
Other liabilities	581	(759)
Net cash provided by operating activities	564,944	335,915
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(504,247)	(101,659)
Net cash used by investing activities	(504,247)	(101,659)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(20,128)	(1,910)
Net cash used by financing activities	(20,128)	(1,910)
Net increase in cash	40,569	232,346
CASH - BEGINNING OF YEAR	383,717	151,371
CASH - END OF YEAR	$ 424,286	$ 383,717
SUPPLEMENTAL DISCLOSURES		
Interest paid during the year	$ 2,570	$ -
Property purchased with debt	$ 553,483	$ 191,000

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

NOTE 1 - AGENCY AND NATURE OF ACTIVITIES

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

Use of Estimates

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

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 unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities and 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Contributions and Support and Receivables

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statements of activities as net assets released from restrictions.

Financial assistance awards revenues 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, 2018 and 2017. All receivables are classified as current as they are expected to be collected within one year.

Donated Goods and Services

Donated goods are recorded at fair value in the period the gift is 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 the services are performed.

Advertising

All advertising costs are expensed when incurred.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Accounting principles generally accepted in the United States of America require 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. The management has analyzed the tax positions taken by the Agency and has concluded that as of June 30, 2018 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, 2015.

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 and 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 nonfinancial data or subjective methods determined by management.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Standards Update 2015-11

On January 1, 2017, the Agency adopted Accounting Standards Update ("ASU") 2015-11, Simplifying the Measurement of Inventory. Under the newly adopted ASU, inventory is required to be measured at the lower of cost and net realizable value. There was no significant impact to the financial statements related to this adoption.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2018	2017
Furniture and equipment	$ 64,815	$ 53,301
Vehicles	144,123	81,225
Buildings	1,046,660	198,390
Land	225,443	90,395
	1,481,041	423,311
Less accumulated depreciation	(127,238)	(82,114)
	$ 1,353,803	$ 341,197

Depreciation expense was $45,124 and $16,832 for 2018 and 2017, respectively.

NOTE 4 - LONG TERM DEBT

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

	2018	2017
Note payable to CapStar Bank, monthly fixed principal payments of $636 plus accrued interest, variable interest rate of prime less 4.0% (1.0% at June 30, 2018), all unpaid principal and interest due March, 2022, collateralized by real estate. This note has been recorded net of unamortized discount of $19,950 imputed at the rate of 4%.	$ 161,501	$ 189,090

NOTE 4 - LONG TERM DEBT (CONTINUED)

	2018	2017
Note payable to CapStar Bank, monthly installment payments of $542, variable interest rate of prime less 4.0% (1.0% at June 30, 2018), all unpaid principal and interest due September, 2022, collateralized by real estate. This note has been recorded net of unamortized discount of $23,487 imputed at the rate of 4.5%.	129,871	-
Note payable to CapStar Bank, monthly fixed principal payments of $950 plus accrued interest, variable interest rate of prime less 4.0% (1.0% at June 30, 2018), all unpaid principal and interest due November, 2022, collateralized by real estate. This note has been recorded net of unamortized discount of $45,751 imputed at the rate of 4.5%.	232,599	-
Note payable to Pinnacle Bank, monthly installment payments of $486, variable interest rate of prime less 4.0% (1.0% at June 30, 2018), all unpaid principal and interest due February, 2038, collateralized by real estate. This note has been recorded net of unamortized discount of $33,205 imputed at the rate of 4.5%.	76,081	-
Less current portion	(5,282)	(7,632)
	$ 594,770	$ 181,458

The following table represents future maturities of long term debt:

Year ending June 30,	
2019	$ 5,282
2020	5,517
2021	5,765
2022	162,448
2023	358,458
Thereafter	62,582
	$ 600,052

NOTE 5 - RESTRICTED NET ASSETS

The temporary restrictions on net assets at June 30, 2018 from corporate and foundation grants are attributable to various grants from various donors for specific program services or event sponsorships totaling $187,739. Temporary restrictions from project restrictions are the result of the Agency holding and disbursing funds on behalf of another charitable organization totaling $6,354.

The temporary restrictions on net assets at June 30, 2017 from corporate and foundation grants are attributable to various grants from various donors for specific program services or event sponsorships totaling $43,500. Temporary restrictions from project restrictions are the result of the Agency holding and disbursing funds on behalf of another charitable organization totaling $5,378.

There were no permanently restricted net assets as of June 30, 2018 and 2017.

NOTE 6 - DONATED GOODS AND SERVICES

In-kind contributions of food and supplies totaling $66,847 and $48,474 have been included in unrestricted support and revenues and unrestricted functional expenses in the financial statements for the years ended June 30, 2018 and 2017, respectively.

NOTE 7 - CONCENTRATIONS AND CREDIT RISK

Financial assistance awards, contractual agreements and appropriations comprised 68% and 60% of the Agency’s total unrestricted support and revenues for the years ended June 30, 2018 and 2017, respectively. Contract services accounted for 15% and 24% of total unrestricted support and revenues for the years ended June 30, 2018 and 2017, 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, 2018 and 2017 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 $28,000 and $82,000 at June 30, 2018 and 2017, respectively.

NOTE 8 - LEASING ARRANGEMENTS

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

Year ending June 30,		
2019	$	101,739
2020		106,314
2021		55,260
2022		777
	$	264,090

Rental expense for office space and office equipment was $89,053 and $77,124 for the years ended June 30, 2018 and 2017, respectively.

The Agency leases property to individuals served by their program. These leases act as an affordable housing alternative for the individuals and contain various monthly payments and maturities. Future estimated rental income required under these leases is as follows:

Year ending June 30,		
2019	$	55,410

Rental income under these leases was $31,893 and $7,485 for the years ending June 30, 2018 and 2017, respectively.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

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 10 - SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through November 15, 2018 which is the date the financial statements were available to be issued.

NOTE 11 - RECENT ACCOUNTING PRONOUCEMENTS

In August 2016, the FASB issued Accounting Standard Update No. 2016-14, Not-for-Profit Entities: Topic 958 (“ASU 2016-14”), to amend the requirements for financial statements and notes of a not-for-profit entity. The new guidance is effective for periods beginning after December 15, 2017, on a retrospective basis, with early adoption permitted. ASU 2016-14 will result in changes to financial statement presentation and additional disclosures. The Agency is currently evaluating the impact, if any, of its pending adoption of ASU 2016-14 on its financial position, results of operations, and cash flows.

In February 2016, the FASB issued ASU No. 2016-02, Leases: Topic 842 (“ASU 2016-02”), to supersede nearly all existing lease guidance under GAAP. ASU 2016-02 requires the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases currently classified as operating leases. ASU 2016-02 also requires qualitative disclosures along with specific quantitative disclosures and is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. Entities are required to apply the amendments at the beginning of the earliest period presented using a modified retrospective approach. The Agency is evaluating the requirements of this guidance and has not yet determined the impact of the adoption on its financial position, results of operations and cash flows.

PROJECT RETURN, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2018

Grantor / Pass-Through Grantor	Program Name	CFDA Number	Contract Number	Expenditures
Federal Awards				
Department of Labor	Reentry Employment Opportunities	17.270	PE-30789-17-60- A-47	$ 413,128
Department of Transportation /	Transit Services Programs Cluster			
Tennessee Department of Transportation,				
Nashville Metropolitan Transit Authority	Job Access and Reverse Commute Program	20.516	195307-S3-030/2017774	56,357
Governor's Highway Safety Office	Job Access and Reverse Commute Program	20.516	N/A	150,451
				206,808
Department of Health and Human Services /				
	Research and Development Cluster			
Tennessee Department of Human Services	Child Support Enforcement Research	93.564	52763	270,000
Tennessee Department of Mental Health and Substance Abuse Services	Opioid STR	93.788	55412	29,610
	Opioid STR	93.788	57910	11,385
				40,995
Total Federal Awards				930,931
State Financial Assistance				
Tennessee Department of Corrections		N/A	32901-31302	140,000
Tennessee Department of Corrections	Direct Appropriations Grant	N/A	N/A	832,000
Tennessee Housing Development Agency		N/A	HTF-17F-04	175,363
Total State Financial Assistance				1,147,363
Total Federal Awards and State Financial Assistance				$ 2,078,294

Notes

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarized the expenditures of the Agency under programs of the federal and state governments for the year ended June 30, 2018. 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.

Note 2. Loans Outstanding

The Agency had no federal or state loans outstanding as of June 30, 2018.

Note 3. Indirect Cost Rate

The Agency has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

See Independent Auditors' report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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. (the "Agency"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2018.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine 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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blankenship CPA Group, PLLC

November 15, 2018

BLANKENSHIP CPA GROUP, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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
We have audited Project Return, Inc.'s (the "Agency") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2018. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program
In our opinion, the Agency 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, 2018.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

November 15, 2018

PROJECT RETURN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?		yes	X	no
• Significant deficiency(ies) identified?		yes	X	none reported
Type of auditors' report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?		yes	X	no

Identification of major programs:

CFDA Number(s) / Name of Federal Program or Cluster

17.270 U.S Department of Labor - Reentry Employment Opportunities

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?		yes	X	no

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – Prior Year Findings

None reported.