THE ARC DAVIDSON COUNTY
& GREATER NASHVILLE & AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

As of and for the Years Ended June 30, 2019 and 2018

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE & AFFILIATES
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THE ARC DAVIDSON COUNTY & GREATER NASHVILLE & AFFILIATES

ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF

AS OF JUNE 30, 2019

Board of Directors

Cynthia Gardner	President
Tyler Lisowski	Vice President
Matt Moser	Treasurer
Elizabeth Ralph	Secretary
Andrea Arnold	Board Member
Meredith Ashley	Board Member
Bettie Blackman	Board Member
Kay Dodd	Board Member
Thom Druffel	Board Member
Rachelle Gallimore-Scruggs	Board Member
John Gillmor	Board Member
Steve Hart	Board Member
Matt North	Board Member
April Scanlon	Board Member
Richard Thompson	Board Member

Executive Staff

Sheila Moore	Chief Executive Director
Lorie Golden	Director of Family Support
Donna Bryant	Director of Support Coordination

Report of Independent Auditor

To the Board of Directors
The Arc Davidson County & Greater Nashville & Affiliates
Nashville, Tennessee

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Arc Davidson County & Greater Nashville & Affiliates (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Arc Davidson County & Greater Nashville & Affiliates as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Financial Statement Presentation

As discussed in Note 1, The Arc Davidson County & Greater Nashville & Affiliates adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities.* The ASU has been applied retrospectively to all years presented in the consolidated financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on page 19 consisting of the schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 December 16, 2019, on our consideration of The Arc Davidson County & Greater Nashville & Affiliates' 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 Arc Davidson County & Greater Nashville & Affiliates' 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 Arc Davidson County & Greater Nashville & Affiliates' internal control over financial reporting and compliance.

Cherry Bekaert LLP

Nashville, Tennessee
December 16, 2019

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE & AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 239,723	$ 168,961
Investments	620,369	589,073
Government contract receivables	145,010	148,471
Government grant receivables	195,686	162,108
Receivables - other	5,340	7,185
Prepaid expenses	16,214	12,694
Total Current Assets	1,222,342	1,088,492
Property and Equipment:		
Office furniture and equipment	73,907	72,907
Less accumulated depreciation	(57,696)	(51,637)
Net Property and Equipment	16,211	21,270
Total Assets	$ 1,238,553	$ 1,109,762
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$ 62,421	$ 46,399
Contract refund payable	22,513	21,909
Unearned deposits	93,542	-
Total Current Liabilities	178,476	68,308
Net Assets:		
Without donor restrictions:		
Operating	1,043,866	1,020,184
Furniture and equipment	16,211	21,270
Total Net Assets Without Donor Restriction	1,060,077	1,041,454
Total Liabilities and Net Assets	$ 1,238,553	$ 1,109,762

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE & AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Government Grants:			
Family support program	$ 828,869	$ -	$ 828,869
Traumatic brain injury program	280,000	-	280,000
Government Contracts:			
Support coordination program	884,864	-	884,864
Other government contracts	106,831	-	106,831
Cart revenues	199,512	-	199,512
Phone solicitation income	14,148	-	14,148
Investment income	38,834	-	38,834
Contributions	18,191	-	18,191
Employment income	7,420	-	7,420
Special events	7,962	-	7,962
Memberships	1,427	-	1,427
Total Revenues and Other Support	2,388,058	-	2,388,058
Expenses:			
Program Services:			
Family support and TBI	1,168,335	-	1,168,335
Support coordination	832,511	-	832,511
VOCA	73,224	-	73,224
Development	39,795	-	39,795
Employment education advocacy	27,086	-	27,086
Support Services:			
Management and general	213,505	-	213,505
Phone solicitation	14,979	-	14,979
Total Expenses	2,369,435	-	2,369,435
Change in net assets	18,623	-	18,623
Net assets, beginning of year	1,041,454	-	1,041,454
Net assets, end of year	$ 1,060,077	$ -	$ 1,060,077

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE & AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Government Grants:			
Family support program	$ 827,922	$ -	$ 827,922
Traumatic brain injury program	232,028	-	232,028
Government Contracts:			
Support coordination program	897,789	-	897,789
Cart revenues	242,008	-	242,008
Phone solicitation income	67,224	-	67,224
Investment income	38,937	-	38,937
Other grants and contracts	26,807	-	26,807
Contributions	21,484	-	21,484
Miscellaneous income	10,399	-	10,399
Employment income	4,902	-	4,902
Special events	1,671	-	1,671
Memberships	438	-	438
Total Revenues and Other Support	2,371,609	-	2,371,609
Expenses:			
Program Services:			
Family support and TBI	1,075,407	-	1,075,407
Support coordination	761,946	-	761,946
Day of service	23,520	-	23,520
Development	43,860	-	43,860
Employment education advocacy	38,790	-	38,790
Support Services:			
Management and general	207,804	-	207,804
Phone solicitation	74,363	-	74,363
Total Expenses	2,225,690	-	2,225,690
Change in net assets	145,919	-	145,919
Net assets, beginning of year	895,535	-	895,535
Net assets, end of year	$ 1,041,454	$ -	$ 1,041,454

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE & AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services						Support Services		
	Family Support and TBI	Support Coordination	VOCA	Development	Employment Education Advocacy	Total Program Services	Management and General	Phone Solicitation	Total Expenses
Client benefits	$ 969,108	$ -	$ -	$ -	$ -	$ 969,108	$ -	$ -	$ 969,108
Salaries	116,427	500,758	50,398	-	12,556	680,139	111,556	8,626	800,321
Employee benefits	24,674	90,930	1,818	-	77	117,499	10,739	4,602	132,840
Office rent	26,351	39,550	2,991	-	6,930	75,822	8,035	-	83,857
Contracted services	9,321	46,685	6,225	105	2,896	65,232	9,671	-	74,903
Payroll taxes	8,730	37,715	3,816	-	268	50,529	8,457	656	59,642
Travel	755	51,092	25	27	132	52,031	1,002	-	53,033
Professional services	2,660	13,123	1,868	-	1,195	18,846	26,056	1,067	45,969
Postage	1,403	4,528	-	36,000	-	41,931	471	28	42,430
Insurance	2,934	14,717	600	-	96	18,347	3,194	-	21,541
Telephone	1,088	13,551	870	-	29	15,538	2,830	-	18,368
Supplies	1,028	4,162	612	2,663	1,043	9,508	6,434	-	15,942
Printing and publications	2,297	3,929	2,790	-	26	9,042	724	-	9,766
Conferences	208	2,054	401	-	1,442	4,105	4,788	-	8,893
Affiliation fees and maintenance	-	-	-	-	-	-	7,184	-	7,184
Subscriptions	345	3,839	133	-	66	4,383	2,605	-	6,988
Depreciation	-	-	-	-	298	298	5,762	-	6,060
Equipment rental and maintenance	568	2,840	404	-	19	3,831	523	-	4,354
Miscellaneous	-	-	-	1,000	-	1,000	2,220	-	3,220
Other rent	384	1,921	273	-	13	2,591	379	-	2,970
License and fees	54	1,117	-	-	-	1,171	875	-	2,046
	$ 1,168,335	$ 832,511	$ 73,224	$ 39,795	$ 27,086	$ 2,140,951	$ 213,505	$ 14,979	$ 2,369,435

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE & AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services						Support Services		
	Family Support and TBI	Support Coordination	Day of Service	Development	Employment Education Advocacy	Total Program Services	Management and General	Phone Solicitation	Total Expenses
Client benefits	$ 900,051	$ -	$ -	$ -	$ -	$ 900,051	$ -	$ -	$ 900,051
Salaries	107,255	455,325	13,260	-	8,567	584,407	109,754	66,126	760,287
Employee benefits	16,462	82,277	-	-	1,131	99,870	10,620	277	110,767
Office rent	23,589	36,656	1,500	-	11,398	73,143	7,252	-	80,395
Contracted services	6,466	40,049	5,962	-	14,279	66,756	5,196	-	71,952
Payroll taxes	8,160	33,612	-	-	235	42,007	8,392	4,902	55,301
Travel	955	49,037	328	-	47	50,367	2,762	-	53,129
Postage	1,990	4,733	-	41,164	1	47,888	631	177	48,696
Professional services	1,995	13,263	-	-	1,825	17,083	23,604	2,881	43,568
Insurance	2,762	17,337	750	-	45	20,894	1,467	-	22,361
Telephone	1,866	14,758	500	-	83	17,207	3,020	-	20,227
Supplies	1,711	3,677	129	128	333	5,978	7,263	-	13,241
Printing and publications	1,077	5,181	750	-	57	7,065	1,341	-	8,406
Affiliation fees	-	-	-	-	-	-	7,184	-	7,184
Conferences	288	210	297	-	-	795	6,168	-	6,963
Depreciation	-	-	-	-	594	594	5,117	-	5,711
Subscriptions	197	438	-	-	120	755	3,364	-	4,119
Miscellaneous	-	-	-	1,000	-	1,000	3,062	-	4,062
Equipment rental and maintenance	228	2,386	44	-	75	2,733	275	-	3,008
Other rent	355	2,197	-	-	-	2,552	430	-	2,982
Fundraising	-	-	-	1,568	-	1,568	250	-	1,818
License and fees	-	810	-	-	-	810	568	-	1,378
Interest	-	-	-	-	-	-	84	-	84
	$ 1,075,407	$ 761,946	$ 23,520	$ 43,860	$ 38,790	$ 1,943,523	$ 207,804	$ 74,363	$ 2,225,690

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE & AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 18,623	$ 145,919
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	6,060	5,711
Realized and unrealized (gain) loss on investments	4,654	(13,677)
Changes in current assets and liabilities:		
Government contract receivables	3,461	5,119
Government grant receivables	(33,578)	(106,132)
Receivables - other	1,845	4,192
Prepaid expenses	(3,520)	(1,917)
Accounts payable and accrued expenses	16,022	(20,496)
Contract refund payable	604	-
Unearned deposits	93,542	-
Net cash provided by operating activities	107,713	18,719
Cash flows from investing activities:		
Purchases of investments	(103,644)	(350,675)
Proceed from sales of investments	67,694	180,686
Purchases of office furniture and equipment	(1,001)	(7,420)
Net cash used in investing activities	(36,951)	(177,409)
Cash flows from financing activities:		
Proceeds from issuance of line of credit	-	87,700
Repayments on line of credit	-	(87,700)
Net cash used in financing activities	-	-
Change in cash and cash equivalents	70,762	(158,690)
Cash and cash equivalents, beginning of year	168,961	327,651
Cash and cash equivalents, end of year	$ 239,723	$ 168,961

Note 1—Summary of significant accounting policies

Nature of Organization – The Arc Davidson County & Greater Nashville & Affiliates (the "Organization") is a nonprofit corporation conducting programs for the benefit of individuals with intellectual and developmental disabilities and their families. The Organization is affiliated with The U.S. Arc and The Arc of Tennessee. The State of Tennessee Department of Finance and Administration, Division of Intellectual and Developmental Disabilities, and the Bureau of TennCare provide support on an annual basis.

Principles of Consolidation – The financial statements include the accounts of The Arc Davidson County & Greater Nashville and its affiliated supporting organizations, ArcAbility, LLC and eDoc TN, LLC. All inter-entity transactions and balances have been eliminated in consolidation.

The Arc Davidson County & Greater Nashville sponsored the establishment of ArcAbility, LLC ("ArcAbility"), a separate nonprofit limited liability company, during December 2015. ArcAbility provides employment opportunities for individuals with intellectual and developmental disabilities.

Additionally, The Arc Davidson County & Greater Nashville sponsored the establishment of eDoc TN, LLC ("eDoc"), a separate nonprofit limited liability company, during September 2017. eDoc provides employment opportunities for individuals with intellectual and developmental disabilities to assist in scanning and archiving documents.

ArcAbility and eDoc receive management services from and are governed by the same Board of Directors as The Arc Davidson County & Greater Nashville. The activity for ArcAbility and eDoc for the years ended June 30, 2019 and 2018 is included in the Organization's consolidated financial statements; however, such activity has been insignificant to date.

Basis of Presentation – The accompanying consolidated 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"). Consolidated financial statement presentation is in accordance with standards of accounting and financial reporting prescribed for not-for-profit organizations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations. All contributions are considered available for general use unless specifically restricted by the donor.
>
> *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions. The Organization has no donor restricted net assets at June 30, 2019 and 2018.

Cash and Cash Equivalents – The Organization considers all highly liquid investments available for current use with a maturity of three months or less when purchased to be cash equivalents.

Note 1—Summary of significant accounting policies (continued)

Revenue and Other Support – The Organization receives much of its income from grants and contracts from the State of Tennessee Department of Finance and Administration, Division of Intellectual and Developmental Disabilities. The Organization records income from the grants in the period that the applicable expenditures are incurred. Income from contracts is recognized as the related services are performed. Amounts received in advance for postage and related items under the Organization's agreement with J&I (Note 7) are recorded in unearned deposits.

Liquidity – Assets are presented in the accompanying consolidated statements of financial position according to their nearness of conversion to cash and cash equivalents and liabilities are presented according to their maturing resulting in use of cash and cash equivalents.

Contributions – Contributions received are recorded as without donor restriction and with donor restriction. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a 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 consolidated statements of activities as net assets released from restrictions.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities as unrestricted revenues or expenses, unless specified by the donor.

Fair Values – The Organization has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third-party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. U.S. GAAP has a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are explained as follows:

> *Level 1* – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
>
> *Level 2* – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
>
> *Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Level 1 securities include highly liquid government securities and certain other products, such as mutual funds. No changes in the valuation methodologies have been made during the period from July 1, 2017 through June 30, 2019.

Note 1—Summary of significant accounting policies (continued)

Receivables – Contract, grant, and other receivables are reviewed periodically as to their collectability. Management provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances which may affect the collectability of such receivables. Based on collection experience and management's review, no allowance for doubtful accounts is considered necessary at June 30, 2019 and 2018.

Office Furniture and Equipment – Office furniture and equipment are carried at cost. Donated equipment is recorded at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from five to ten years.

Donated Services – Unpaid volunteers make contributions of time in various administrative, fundraising, and program functions. The value of contributed time is not reflected in the consolidated financial statements as it is not susceptible to an objective measurement or valuation and generally does not meet the requirements for recognition under U.S. GAAP which stipulates such services would ordinarily be purchased and be provided by persons with specialized skills in the performance of such services.

Functional Allocation of Expenses – Expenses that can be directly attributed to one 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 reasonable subjective methods determined by management. Expenses that were allocated consist primarily of salary and related expenses which have been allocated based on time incurred.

Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements.

The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification guidance concerning the accounting for income taxes recognized in an entity's consolidated financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization does not believe there are any uncertain tax positions at June 30, 2019. Additionally, the Organization has not recognized any tax related interest and penalties in the accompanying consolidated financial statements.

Employee Retirement Plan – The Organization maintains a tax deferred annuity plan covering substantially all of its employees with at least one year or more of employment. The Organization contributed 3% of eligible employees' salaries into the annuity annually for the years ended June 30, 2019 and 2018. Employee retirement plan expense for the years ended June 30, 2019 and 2018 was $15,285 and $16,215, respectively.

Note 1—Summary of significant accounting policies (continued)

Change in Accounting Principle – In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been adopted during 2019 and retrospectively applied to 2018.

Forthcoming Accounting Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the fiscal year ending June 30, 2020. The Organization is currently evaluating the effect of the implementation of this new standard.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the fiscal year ending June 30, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending June 30, 2022. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

Subsequent Events – The Organization evaluated subsequent events through December 16, 2019, when these consolidated financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the consolidated statement of financial position date but prior to the issuance of this report that would have a material impact on the consolidated financial statements.

Note 2—Liquidity and availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing programs and services, as well as conduct of services undertaken to support those activities to be general expenditures.

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, as discussed in Note 11, the Organization has access to a line of credit.

Note 2—Liquidity and availability (continued)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at June 30:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	$ 239,723	$ 168,961
Investments	620,369	589,073
Government contract receivables	145,010	148,471
Government grant receivables	195,686	162,108
Receivables - other	5,340	7,185
Financial assets available to meet cash needed for general expenditures within one year	$ 1,206,128	$ 1,075,798

Note 3—Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 9,516	$ -	$ -	$ 9,516
Mutual funds:				
Growth funds	142,396	-	-	142,396
Intermediate-term bond funds	106,889	-	-	106,889
Large-cap funds	94,840	-	-	94,840
Equities funds	77,245	-	-	77,245
Small-cap funds	55,426	-	-	55,426
Mid-cap funds	50,410	-	-	50,410
Large value funds	43,892	-	-	43,892
Diversified emerging markets funds	21,963	-	-	21,963
Short-term bonds funds	17,792	-	-	17,792
Total mutual funds	610,853	-	-	610,853
Total investments	$ 620,369	$ -	$ -	$ 620,369

Note 3—Investments (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 11,715	$ -	$ -	$ 11,715
Mutual funds:				
Growth funds	130,910	-	-	130,910
Large-cap funds	108,294	-	-	108,294
Equities funds	93,888	-	-	93,888
Intermediate-term bond funds	90,086	-	-	90,086
Small-cap funds	53,423	-	-	53,423
Mid-cap funds	47,729	-	-	47,729
Large value funds	24,189	-	-	24,189
Total mutual funds	548,519	-	-	548,519
Alternative funds	28,839	-	-	28,839
Total investments	$ 589,073	$ -	$ -	$ 589,073

Note 4—Government grants and contracts

The Organization was due $145,010 and $148,471 from the State of Tennessee Department of Finance and Administration, Division of Intellectual and Developmental Disabilities for contract monies for the support coordination program at June 30, 2019 and 2018, respectively. Under this arrangement, the Organization earned contract revenues totaling $884,864 and $897,789 for the support coordination program for the years ended June 30, 2019 and 2018, respectively.

During the years ended June 30, 2019 and 2018, the Organization earned grant monies totaling $828,869 and $827,922, respectively, for the family support program. The Organization was due $126,148 and $74,321 from the State of Tennessee Department of Finance and Administration, Division of Intellectual and Developmental Disabilities for grant monies expended, related to the family support program, during the years ended June 30, 2019 and 2018, respectively.

During the year ended June 30, 2018, the Organization received a five-year grant from the State of Tennessee Department of Health to provide services for persons with traumatic brain injury ("TBI") and their families. Under this arrangement, the Organization earned contract revenues totaling $280,000 and $232,028 during the years ended June 30, 2019 and 2018, respectively. Amounts due from the State of Tennessee Department of Health at June 30, 2019 and 2018 totaled $45,097 and $87,787, respectively.

Note 4—Government grants and contracts (continued)

During the year ended June 30, 2019, the Organization received a one-year grant from the State of Tennessee Department of Finance and Administration, Office of Criminal Justice and Administration to support the provision of services to victims of crime. Under this arrangement, the Organization earned contract revenues totaling $57,986 during the year ended June 30, 2019. At June 30, 2019, amounts due under this grant totaled $17,936.

During the year ended June 30, 2019, the Organization received a one-year grant for Community Partnership Funding through Metro Social Services to serve families that have school-aged or younger children with severe disabilities, as well as adults with severe disabilities who live with their families. Under this arrangement, the Organization earned contract revenues totaling $40,000 during the year ended June 30, 2019. At June 30, 2019, amounts due under this grant totaled $6,505.

Note 5—Questioned costs/contingencies

Questioned costs are those amounts charged to a funded program that may not be in compliance with requirements set forth in contracts, statutes, and regulations governing allowability or eligibility. A questioned cost may not be reimbursed by the state of Tennessee (the "State") or the State agency may require that the funds already expended be refunded to the State. These amounts can be questioned by the State for the specific grant or contract to which they apply. The determination as to whether such costs will be allowed or disallowed under the grants or contracts is subject to review by the individual grantor agencies.

Note 6—Operating lease commitments

The Organization has entered into a lease agreement for office space extending through September 30, 2020 with monthly lease payments ranging approximately from $6,700 to $7,050 for the life of the lease. Additionally, certain office equipment is leased under various operating lease agreements. The annual lease payments totaled $83,857 and $80,395 for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2019 are as follows:

Years Ending June 30,	
2020	$ 89,206
2021	28,280
2022	5,080
	$ 122,566

The Organization also entered into an agreement as lessor to sublease a portion of its office space. Under the arrangement, the Organization will receive approximately $650 a month through September 2020.

Note 7—Cart revenues

In 1982, B&R Salvage, Inc. ("B&R") was engaged by the Organization to assist in the collection and sale of contributed property. The Organization entered into a contract, effective January 1, 2001, with J&I Advisory Support, LLC ("J&I"), an affiliate of B&R. J&I provides solicitation, trucking, and transportation services in connection with property contributions, generally clothing and household goods. Goods donated to the Organization through J&I's solicitation are sold by the Organization in bulk to B&R. B&R generally sells the goods to the general public through thrift stores. The terms of the contracts with B&R and J&I set the price per cart for goods acquired by B&R from the Organization. The contract provides for 24 semimonthly minimum payments by B&R to the Organization totaling a flat amount per calendar year.

Cart revenues reflects the amounts payable to the Organization by B&R for the sale of donated goods, net of amounts payable by the Organization to J&I for solicitation, transportation, and trucking services rendered by J&I. Determination of amounts payable to the Organization in excess of the minimum are determined and paid in January following each calendar year.

During 2013, a new contract was established between the Organization and J&I that increased costs of mailing solicitations. The Organization received $199,512 and $242,008 under this arrangement for the years ended June 30, 2019 and 2018, respectively. The contract may be terminated by either party upon 60 days written notice.

Note 8—Phone solicitation

Effective January 1, 2013, the Organization entered into an agreement with J&I to manage telephone donation associates who solicit in-kind donations on behalf of the Organization. The Organization is responsible for the hiring and termination of part-time telephone donation associates, as well as remitting payroll taxes and state required withholdings. In addition, the Organization maintains a drawing account from which telephone donation associates are paid weekly by the Organization's payroll service. The Organization received $14,148 and $67,224 under this arrangement for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, $14,979 and $74,363, respectively, was expensed as salaries, payroll taxes, and incidental costs, respectively. This contract was terminated during the year ended June 30, 2019.

Note 9—Concentration of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of accounts, grant, and contracts receivable. Grant and contract receivables represent a concentration of credit risk to the extent that they are received from the same sources. The Organization receives a substantial amount of its support from governmental grants and contracts. A significant reduction in the levels of this support, if this were to occur, could have an adverse effect on the Organization's programs and activities.

The Organization maintains cash balances which may, at times, exceed federally insured amounts.

Note 10—Client benefits

The Organization receives funding from the State of Tennessee Department of Finance and Administration, Division of Intellectual and Developmental Disabilities for family support services to be provided to persons with severe disabilities and who are eligible for such support. Certain requirements must be met as provided by the Family Support Guidelines Act before support can be given by the Organization. The Organization paid $704,513 and $704,530 during the years ended June 30, 2019 and 2018, respectively, to eligible persons for family support services.

Under the State of Tennessee Department of Health TBI funding arrangement, the Organization paid $230,000 and $195,521 to those who were eligible for such support during the years ended June 30, 2019 and 2018, respectively.

During the year ended June 30, 2019, the Organization received funding from the Metropolitan Government of Nashville and Davidson County that provides the Organization with funds for distribution on behalf of eligible individuals by having past due rent, mortgage, or utilities. The Organization paid $34,595 during the year ended June 30, 2019 to eligible persons under this program. Such amounts are included with the client benefits under the family support and TBI funding arrangements in the consolidated statements of activities and functional expenses.

Note 11—Line of credit

The Organization obtained a $250,000 line of credit from a financial institution. Under the terms of this line of credit, interest is charged at 5.25% per annum. The note representing this arrangement is secured by the Organization's investments and requires monthly principal and interest payments. There were no outstanding borrowings under this arrangement as of June 30, 2019 and 2018. The line of credit matured in December 2019 and was renewed through December 2020, under substantially the same terms.

SUPPLEMENTAL INFORMATION

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE & AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR / PASS-THROUGH GRANTOR Program / Cluster Name	CFDA Number	Pass-Through Grantor's Number	Expenditures
Federal Awards:			
U.S. Department of Education			
passed through Tennessee Department of Human Services			
Pre-Employment Transition Services	84.126	34570-80119	$ 7,650
Total for CFDA No. 84.126			7,650
Total U.S. Department of Education			7,650
U.S. Department of Justice			
Passed through Tennessee Department of Finance and Administration			
Crime Victim Assistance	16.575	n/a	57,986
Total for CFDA No. 16.575			57,986
Total U.S. Department of Justice			57,986
Total Federal Awards			65,636
State Awards:			
Tennessee Department of Finance and Administration			
Department of Intellectual and Developmental Disabilities			
Family Support Services Program - Davidson County	N/A	34401-99126	701,307
Family Support Services Program - Wilson County	N/A	34401-99126	127,562
			828,869
Tennessee Department of Health			
Family Support Services Program - Traumatic Brain Injury	N/A	34347-61519	280,000
			280,000
U.S. Department of Education			
Passed through Tennessee Department of Human Services			
Pre-Employment Transition Services	84.126	34570-80119	1,195
Total State Awards			1,110,064
Total Federal and State Awards			$ 1,175,700

Note 1—Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") summarizes the expenditures of The Arc Davidson County & Greater Nashville & Affiliates under programs of the state of Tennessee for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of the State of Tennessee Audit Manual for Auditing, Accounting, and Reporting for Local Governmental Units and Other Organizations.

Note 2—Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Grant revenues are recognized when the related program expenditures are incurred.

The Arc Davidson County & Greater Nashville expended indirect costs using a contracted method and did not elect to use the 10% de minimis cost rate allowed under the Uniform Guidance.

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor 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
The Arc Davidson County & Greater Nashville & Affiliates
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Arc Davidson County & Greater Nashville & Affiliates (a nonprofit organization) (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2019 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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.*

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

Cherry Bekaert LLP

Nashville, Tennessee
December 16, 2019

JUNE 30, 2019

There were no prior findings reported.