THE ARC DAVIDSON COUNTY
& GREATER NASHVILLE & AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

As of and for the Years Ended June 30, 2021 and 2020

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

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THE ARC DAVIDSON COUNTY & GREATER NASHVILLE & AFFILIATES
ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF

AS OF JUNE 30, 2021

Board of Directors

Kay Dodd	President
Andrea Arnold	Past President
Matt Moser	Treasurer
Elizabeth Ralph	Secretary
Bettie Blackman	Board Member
Thom Druffel	Board Member
John Gillmor	Board Member
Richard Thompson	Board Member
Rachelle Gallimore-Scruggs	Board Member
Matt North	Board Member
Steve Hart	Board Member
April Scanlon	Board Member
Meredith Ashley	Board Member
Willie Smith	Board Member
Marshae Burton	Board Member
Carolyn Shoffner	Board Member

Executive Staff

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

Cherry Bekaert LLP
CPAs & Advisors

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, 2021 and 2020, 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, 2021 and 2020, 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.

Other Matters

Other Information

Our audits were 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 audits 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.

The Roster of Board of Directors and Executive Staff on page 1, which is the responsibility of management, is of a nonaccounting nature and has not been subjected to the audit procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide assurance over it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021, 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.

Emphasis of Matter

As discussed in Note 13, towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which could negatively impact The Arc Davidson County & Greater Nashville & Affiliates' operations. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction of grants or revenues could negatively impact The Arc Davidson County & Greater Nashville & Affiliates' operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time. Our opinion is not modified with respect to this matter.

Cherry Bekaert LLP

Nashville, Tennessee
November 29, 2021

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

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 68,111	$ 220,684
Investments	796,962	640,509
Government contract receivables	132,530	134,411
Government grant receivables	416,861	262,175
Receivables - other	920	2,133
Prepaid expenses	27,091	17,880
Total Current Assets	1,442,475	1,277,792
Property and Equipment:		
Office furniture and equipment	53,911	51,149
Less accumulated depreciation	(41,258)	(35,317)
Net Property and Equipment	12,653	15,832
Total Assets	$ 1,455,128	$ 1,293,624
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$ 31,550	$ 45,890
Contract refund payable	-	4,496
Unearned deposits	8,602	46,785
Line of credit	-	6
Deferred revenue	1,200	-
Deferred grant revenue	-	186,612
Total Current Liabilities	41,352	283,789
Net Assets:		
Without Donor Restrictions:		
Operating	1,401,123	994,003
Furniture and equipment	12,653	15,832
Total Net Assets Without Donor Restrictions	1,413,776	1,009,835
Total Liabilities and Net Assets	$ 1,455,128	$ 1,293,624

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

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Government Grants:			
Family support program	$ 848,094	$ -	$ 848,094
Traumatic brain injury program	280,000	-	280,000
CARES Act	197,998	-	197,998
Government Contracts:			
Support coordination program	810,680	-	810,680
Paycheck Protection Program grant	186,612	-	186,612
Cart revenues	213,439	-	213,439
Investment income	159,907	-	159,907
Contributions	15,539	-	15,539
Special events	1,000	-	1,000
Other income	16,524	-	16,524
Total Revenues and Other Support	2,729,793	-	2,729,793
Expenses:			
Program Services:			
Family support and TBI	1,129,092	-	1,129,092
Support coordination	739,772	-	739,772
CARES Act	201,614	-	201,614
Development	46,683	-	46,683
Support Services:			
Management and general	208,691	-	208,691
Total Expenses	2,325,852	-	2,325,852
Change in net assets	403,941	-	403,941
Net assets, beginning of year	1,009,835	-	1,009,835
Net assets, end of year	$ 1,413,776	$ -	$ 1,413,776

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

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Government Grants:			
Family support program	$ 828,807	$ -	$ 828,807
Traumatic brain injury program	280,000	-	280,000
Government Contracts:			
Support coordination program	800,398	-	800,398
Other government contracts	6,688	-	6,688
Cart revenues	206,496	-	206,496
Investment income	26,624	-	26,624
Contributions	18,621	-	18,621
Special events	23,808	-	23,808
Memberships	97	-	97
Total Revenues and Other Support	2,191,539	-	2,191,539
Expenses:			
Program Services:			
Family support and TBI	1,117,972	-	1,117,972
Support coordination	849,639	-	849,639
Development	59,553	-	59,553
Employment education advocacy	2,638	-	2,638
Support Services:			
Management and general	211,979	-	211,979
Total Expenses	2,241,781	-	2,241,781
Change in net assets	(50,242)	-	(50,242)
Net assets, beginning of year	1,060,077	-	1,060,077
Net assets, end of year	$ 1,009,835	$ -	$ 1,009,835

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

YEAR ENDED JUNE 30, 2021

	Program Services					Support Services	
	Family Support and TBI	Support Coordination	CARES Act	Development	Total Program Services	Management and General	Total Expenses
Client benefits	$ 955,958	$ -	$ 180,000	$ -	$ 1,135,958	$ -	$ 1,135,958
Salaries	86,360	457,172	12,286	-	555,818	91,279	647,097
Contracted services	29,436	62,489	5,525	-	97,450	38,208	135,658
Employee benefits	17,120	75,702	982	-	93,804	11,093	104,897
Postage	968	5,110	127	46,683	52,888	561	53,449
Payroll taxes	6,159	34,751	940	-	41,850	7,302	49,152
Subscriptions	482	35,447	-	-	35,929	5,470	41,399
Professional services	2,183	14,529	-	-	16,712	24,252	40,964
Office rent	18,085	19,242	1,502	-	38,829	1,210	40,039
Telephone	5,040	12,774	-	-	17,814	3,492	21,306
Supplies	2,146	5,185	145	-	7,476	5,279	12,755
Equipment rental and maintenance	1,145	7,328	-	-	8,473	1,236	9,709
Affiliation fees and maintenance	-	-	-	-	-	7,184	7,184
Depreciation	-	-	-	-	-	5,941	5,941
Insurance	908	4,099	-	-	5,007	38	5,045
Other rent	353	2,294	-	-	2,647	353	3,000
Printing and publications	1,814	152	71	-	2,037	733	2,770
Utilities	929	588	36	-	1,553	1,153	2,706
Miscellaneous	6	-	-	-	6	2,247	2,253
Conferences	-	897	-	-	897	954	1,851
License and fees	-	1,110	-	-	1,110	281	1,391
Awards and recognition	-	566	-	-	566	140	706
Travel	-	337	-	-	337	285	622
	$ 1,129,092	$ 739,772	$ 201,614	$ 46,683	$ 2,117,161	$ 208,691	$ 2,325,852

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

YEAR ENDED JUNE 30, 2020

	Program Services					Support Services	
	Family Support and TBI	Support Coordination	Development	Employment Education Advocacy	Total Program Services	Management and General	Total Expenses
Client benefits	$ 935,713	$ -	$ -	$ -	$ 935,713	$ -	$ 935,713
Salaries	86,928	491,187	-	523	578,638	116,831	695,469
Employee benefits	21,448	86,270	-	624	108,342	11,122	119,464
Contracted services	18,130	63,525	90	387	82,132	12,176	94,308
Office rent	31,840	47,264	-	-	79,104	7,322	86,426
Payroll taxes	7,773	38,229	-	40	46,042	9,164	55,206
Postage	1,182	4,237	42,984	1	48,404	150	48,554
Professional services	3,259	13,038	-	82	16,379	25,677	42,056
Subscriptions	269	35,861	-	-	36,130	2,526	38,656
Travel	366	32,892	-	42	33,300	856	34,156
Insurance	3,392	13,485	-	85	16,962	1,696	18,658
Telephone	1,954	10,892	-	29	12,875	3,561	16,436
Fundraising	-	-	15,416	-	15,416	-	15,416
Equipment rental and maintenance	1,718	6,995	-	44	8,757	1,394	10,151
Supplies	1,775	1,992	988	735	5,490	2,310	7,800
Affiliation fees and maintenance	-	-	-	-	-	7,184	7,184
Depreciation	-	-	-	-	-	5,223	5,223
Miscellaneous	1,021	750	-	-	1,771	2,388	4,159
Other rent	522	2,074	-	45	2,641	335	2,976
Awards and recognition	266	-	-	-	266	1,715	1,981
License and fees	-	810	75	-	885	261	1,146
Printing and publications	401	138	-	1	540	81	621
Conferences	15	-	-	-	15	7	22
	$ 1,117,972	$ 849,639	$ 59,553	$ 2,638	$ 2,029,802	$ 211,979	$ 2,241,781

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

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

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 403,941	$ (50,242)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	5,941	5,223
Loss of disposal of property and equipment	-	3,555
Realized and unrealized (gain) loss on investments	(142,707)	3,077
Changes in current assets and liabilities:		
Government contract receivables	1,881	10,599
Government grant receivables	(154,686)	(66,489)
Receivables - other	1,213	3,207
Prepaid expenses	(9,211)	(1,666)
Accounts payable and accrued expenses	(14,340)	(16,531)
Contract refund payable	(4,496)	(18,017)
Unearned deposits	(38,183)	(46,757)
Deferred revenue	1,200	-
Deferred grant revenue	(186,612)	186,612
Net cash flows from operating activities	(136,059)	12,571
Cash flows from investing activities:		
Purchases of investments	(117,441)	(764,178)
Proceeds from sales of investments	103,695	740,961
Purchases of office furniture and equipment	(2,762)	(8,399)
Net cash flows from investing activities	(16,508)	(31,616)
Cash flows from financing activities:		
Proceeds from issuance of line of credit	15,828	171,325
Repayments on line of credit	(15,834)	(171,319)
Net cash flows from financing activities	(6)	6
Change in cash and cash equivalents	(152,573)	(19,039)
Cash and cash equivalents, beginning of year	220,684	239,723
Cash and cash equivalents, end of year	$ 68,111	$ 220,684

Note 1—Nature of operations and 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 consolidated 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. ArcAbility, LLC was dissolved in February 2020.

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. eDoc was dissolved in February 2020.

ArcAbility and eDoc received management services from and were 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, 2021 and 2020 is included in the Organization's consolidated financial statements; however, such activity was insignificant.

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, 2021 and 2020.

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.

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 (see Note 9) are recorded in unearned deposits.

Note 1—Nature of operations and summary of significant accounting policies (continued)

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. Conditional contributions are deferred until such time related conditions have been met.

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, 2020 through June 30, 2021.

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, 2021 and 2020.

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.

Note 1—Nature of operations and summary of significant accounting policies (continued)

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 ("ASC") 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, 2021. 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, 2021 and 2020. Employee retirement plan expense for the years ended June 30, 2021 and 2020 was $14,944 and $14,140, respectively.

Recently Adopted Accounting Pronouncements – In May 2014, FASB issued Accounting Standards Update ("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. The Organization adopted the provisions of ASU 2014-09 and the related ASUs as of July 1, 2020 using a modified retrospective approach, which resulted in no cumulative effect adjustment to net assets as of July 1, 2020. There was no change in the timing and amount of revenue recognition as a result of the adoption of these ASUs. See Note 2 for further revenue disclosures.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Forthcoming Accounting Pronouncements – In February 2016, 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 statement of financial position 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 statement of activities. This standard will be effective for the fiscal year ending June 30, 2023. 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 November 29, 2021, 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 statements 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—Revenue recognition

On July 1, 2020, the Organization adopted ASC 606 using the modified retrospective approach. The Organization determined there was no cumulative effect adjustment to net assets upon adoption of the new revenue standard as of July 1, 2020. Under ASC 606, revenue is recognized when the Organization transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

Contract Balances – Timing differences among revenue recognition may result in contract assets or liabilities.

Performance Obligations – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The contract performance obligation for these revenue streams is generally satisfied at the time the services are provided.

Revenue Recognition – Revenue (government contracts) is recognized as services are performed.

Practical Expedients and Exemptions – There are several practical expedients and exemptions allowed under ASC 606 that impact timing and revenue recognition and disclosures. The one practical expedient the Organization applied in the adoption and application of ASC 606 allows the Organization to elect to treat similar contracts as part of a portfolio of contracts. The contracts have the same provision terms and management has the expectation that the result will not be materially different from the consideration of each individual contract.

Note 3—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.

Note 3—Liquidity and availability (continued)

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 12, the Organization has access to a line of credit.

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

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	$ 68,111	$ 220,684
Investments	796,962	640,509
Government contract receivables	132,530	134,411
Government grant receivables	416,861	262,175
Receivables - other	920	2,133
Financial assets available to meet cash needed for general expenditures within one year	$ 1,415,384	$ 1,259,912

Note 4—Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 15,475	$ -	$ -	$ 15,475
Convertibles	37,605	-	-	37,605
Preferred stock	30,982	-	-	30,982
Small-cap funds	16,411	-	-	16,411
Mutual funds:				
Large value funds	234,396	-	-	234,396
Intermediate-term bond funds	153,045	-	-	153,045
Growth funds	108,108	-	-	108,108
Short-term bonds funds	75,448	-	-	75,448
Mid-cap funds	48,889	-	-	48,889
Nontraditional bonds	30,164	-	-	30,164
Diversified emerging markets funds	16,175	-	-	16,175
Bank loan	15,233	-	-	15,233
World small	15,031	-	-	15,031
Total mutual funds	696,489	-	-	696,489
Total investments	$ 796,962	$ -	$ -	$ 796,962

Note 4—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, 2020:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 23,305	$ -	$ -	$ 23,305
Convertibles	35,518	-	-	35,518
Preferred stock	24,296	-	-	24,296
Small-cap funds	10,136	-	-	10,136
Mutual funds:				
Large value funds	162,120	-	-	162,120
Intermediate-term bond funds	136,739	-	-	136,739
Growth funds	83,100	-	-	83,100
Short-term bonds funds	71,188	-	-	71,188
Nontraditional bonds	37,919	-	-	37,919
Mid-cap funds	37,637	-	-	37,637
Bank loan	18,551	-	-	18,551
Total mutual funds	547,254	-	-	547,254
Total investments	$ 640,509	$ -	$ -	$ 640,509

Note 5—Government grants and contracts

The Organization was due $132,530 and $134,411 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, 2021 and 2020, respectively. Under this arrangement, the Organization earned contract revenues totaling $810,680 and $800,398 for the support coordination program for the years ended June 30, 2021 and 2020, respectively.

During the years ended June 30, 2021 and 2020, the Organization earned grant monies totaling $848,094 and $828,807, respectively, for the family support program. The Organization was due $334,422 and $160,315 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, 2021 and 2020, 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 for both years ended June 30, 2021 and 2020, respectively. Amounts due from the State of Tennessee Department of Health at June 30, 2021 and 2020 totaled $82,439 and $101,860, respectively.

During the year ended June 30, 2021, the Organization received a one-year grant from the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") that was passed through the State of Tennessee Department of Human Services to assist eligible individuals for COVID-19 relief. Under this arrangement, the Organization recognized grant monies totaling $197,998 under the CARES Act program.

Note 6—Paycheck Protection Program loan

In April 2020, the Organization received a Paycheck Protection Program loan ("PPP") in the amount of $186,612 under the CARES Act. The PPP Loan is granted by the Small Business Administration under the CARES Act. The Organization recognized forgiveness of the full loan balance as Paycheck Protection Program grant in the accompanying 2021 statement of activities based on eligible costs incurred prior to June 30, 2021 and the receipt of forgiveness of the loan by the Small Business Administration “SBA” in May 2021.

Note 7—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 8—Operating lease commitments

The Organization entered into a lease agreement for office space extending through September 30, 2020 with monthly lease payments ranging approximately $6,700 to $7,050 for the life of the lease. Additionally, certain office equipment is leased under various operating lease agreements. During 2021, the Organization entered into a new lease agreement for new office space beginning October 2020 extending through September 2025 with monthly lease payments ranging from approximately $3,000 to $3,400 for the life of the lease. The annual lease payments totaled $40,039 and $86,426 for the years ended June 30, 2021 and 2020, 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, 2021 are as follows:

Years Ending June 30,	
2022	$ 39,718
2023	35,669
2024	36,732
2025	37,833
2026	9,528
	$ 159,480

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

Note 9—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 $213,439 and $206,496 under this arrangement for the years ended June 30, 2021 and 2020, respectively. The contract may be terminated by either party upon 60 days written notice.

Note 10—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 11—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 $720,958 and $705,713 during the years ended June 30, 2021 and 2020, respectively, to eligible persons for family support services.

Under the State of Tennessee Department of Health TBI funding arrangement, the Organization paid $235,000 and $230,000 to those who were eligible for such support for both years ended June 30, 2021 and 2020, respectively.

During the year ended June 30, 2021, the Organization received funding through the CARES Act from the State of Tennessee Department of Human Services that provides the Organization with funds for distribution on behalf of eligible individuals for COVID-19 relief. The Organization paid $180,000 during the year ended June 30, 2021 to eligible persons under this program. Such amounts are included with the client benefits under the CARES Act arrangements in the consolidated statements of activities and functional expenses.

Note 12—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. The outstanding balance was $-0- and $6 at June 30, 2021 and 2020, respectively. The line of credit matured in December 2020 and was renewed through December 2021, under substantially the same terms.

Note 13—Uncertainty

Late in December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen which could potentially impact revenue and operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time. It is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact.

SUPPLEMENTAL INFORMATION

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE & AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2021

FEDERAL GRANTOR / PASS-THROUGH GRANTOR Program / Cluster Name	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures
Federal Awards:			
U.S. Department of Treasury:			
Passed Through Tennessee Department of Human Services:			
Coronavirus Relief Fund	21.019		$ 197,998
Total U.S. Department of Treasury			197,998
Total Federal Awards			197,998
State Awards:			
Tennessee Department of Finance and Administration:			
Department of Intellectual and Developmental Disabilities:			
Family Support Services Program - Davidson County	N/A	34401-99126	712,139
Family Support Services Program - Wilson County	N/A	34401-99126	135,955
			848,094
Tennessee Department of Health:			
Family Support Services Program - Traumatic Brain Injury	N/A	34347-61519	280,000
Total State Awards			1,128,094
Total Federal and State Awards			$ 1,326,092

* No federal awards or state financial assistance were passed through to subrecipients

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 federal grants and the state of Tennessee for the year ended June 30, 2021. 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.

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, 2021 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 November 29, 2021.

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") as a basis for designing 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
November 29, 2021

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE & AFFILIATES
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2021

There were no prior findings reported.