PROJECT RETURN, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

PROJECT RETURN, INC.
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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Independent Auditor's Report

To the Board of Directors
Project Return, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Project Return, Inc. (the Agency), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Return, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Agency adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. 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 financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2019 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
October 31, 2019

PROJECT RETURN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

Assets

	2019	2018
Current assets		
Cash	$ 233,987	$ 424,286
Receivables		
Contribution	100,000	-
Financial assistance awards	212,242	208,187
Contractual agreements	108,393	12,198
Prepaid expenses	6,373	18,603
Inventory	8,324	5,440
Total current assets	669,319	668,714
Property and equipment, net	1,373,473	1,353,803
Total assets	$ 2,042,792	$ 2,022,517

Liabilities and Net Assets

	2019	2018
Current liabilities		
Accounts payable	$ 4,455	$ 12,109
Accrued expenses	64,788	42,724
Other liabilities	16,637	7,294
Line of credit	200,000	-
Long-term debt, current portion	5,517	5,282
Total current liabilities	291,397	67,409
Long-term debt, net of current portion	589,254	594,770
Total liabilities	880,651	662,179
Net assets		
Without donor restrictions	896,786	1,166,245
With donor restrictions	265,355	194,093
Total net assets	1,162,141	1,360,338
Total liabilities and net assets	$ 2,042,792	$ 2,022,517

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

PROJECT RETURN, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

Changes in net assets without donor restrictions	**2019**	**2018**
Support and revenues		
Public support		
Corporate and foundation grants	$ 364,696	$ 308,847
Contributions	147,361	125,136
Donated goods	46,459	66,847
Federal and state government		
Financial assistance awards	1,114,973	1,348,448
Contractual agreements	54,620	180,995
State of Tennessee appropriation	832,010	832,000
Rental income	91,448	31,893
Contract services	612,410	502,357
Miscellaneous	17,454	864
Interest income	1,233	1,154
Net assets released from restrictions	95,058	67,760
Total support and revenues	3,377,722	3,466,301
Expenses		
Program services	2,612,876	2,271,004
Management and general	723,061	478,968
Fundraising	311,244	192,759
Total expenses	3,647,181	2,942,731
Change in net assets without donor restrictions	(269,459)	523,570
Changes in net assets with donor restrictions		
Contributions	100,000	-
Corporate and foundation grants	60,000	206,621
Project restriction	6,320	6,354
Net assets released from restrictions	(95,058)	(67,760)
Change in net assets with donor restrictions	71,262	145,215
Total change	(198,197)	668,785
Net assets, beginning of year	1,360,338	691,553
Net assets, end of year	$ 1,162,141	$ 1,360,338

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

PROJECT RETURN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Compensation and related costs				
Salaries and contract labor	$ 1,408,657	$ 311,404	$ 170,881	$ 1,890,942
Employee benefits	227,884	54,180	19,821	301,885
Payroll taxes	114,909	24,371	13,123	152,403
	1,751,450	389,955	203,825	2,345,230
Advertising	811	-	13,134	13,945
Aid to clients	399,866	116	-	399,982
Building maintenance	29,638	27,728	-	57,366
Dues and memberships	2,254	2,327	1,583	6,164
Equipment rental and maintenance	9,629	6,750	-	16,379
Fundraising	-	588	51,042	51,630
Insurance	17,450	39,534	1,863	58,847
Interest	32,323	-	-	32,323
Meetings	1,707	1,491	4,643	7,841
Miscellaneous	3,764	1,941	911	6,616
Office supplies	11,156	31,298	2,196	44,650
Postage	-	6,017	1,813	7,830
Printing	4,543	5,682	9,296	19,521
Professional fees	100,393	149,943	2,232	252,568
Program supplies	13,058	327	-	13,385
Rent	91,366	21,740	8,159	121,265
Staff development	2,431	9,878	472	12,781
Telecommunications	10,185	1,873	653	12,711
Travel	41,754	9,980	3,317	55,051
Taxes and fees	9,923	564	20	10,507
Utilities	16,042	2,722	1,076	19,840
Total expenses	2,549,743	710,454	306,235	3,566,432
Depreciation	63,133	12,607	5,009	80,749
Total functional expenses	$ 2,612,876	$ 723,061	$ 311,244	$ 3,647,181

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

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

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

PROJECT RETURN, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (198,197)	$ 668,785
Adjustments to reconcile increase in net assets		
to net cash provided by operating activities		
Depreciation	80,749	45,124
Imputed interest	-	(141,275)
Amortization of imputed interest	23,358	18,882
Change in operating assets and liabilities		
Contribution receivable	(100,000)	-
Financial assistance awards receivable	(4,055)	(112,121)
Contractual agreements receivable	(96,195)	78,536
Prepaid expenses	12,230	(4,135)
Inventory	(2,884)	15,021
Accounts payable	(7,654)	(10,180)
Accrued expenses	22,064	5,726
Other liabilities	9,343	581
Net cash (used) provided by operating activities	(261,241)	564,944
Cash flows from investing activities:		
Payments for property and equipment	(100,419)	(504,247)
Net cash used by investing activities	(100,419)	(504,247)
Cash flows from financing activities:		
Net borrowings on line of credit	200,000	-
Payments on long-term debt	(28,639)	(20,128)
Net cash provided (used) by financing activities	171,361	(20,128)
Net (decrease) increase in cash	(190,299)	40,569
Cash, beginning of year	424,286	383,717
Cash, end of year	$ 233,987	$ 424,286
Supplemental disclosures of cash flow information		
Cash payments for interest	$ 8,965	$ 2,570
Property purchased with debt	$ -	$ 553,483

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

Note 1 - Summary of Significant Accounting Policies

Agency and Nature of Activities

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

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

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

Use of Estimates

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

Contributions, Support, and Receivables

Contributions are received and recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions received and unconditional promises to give are measured at their estimated fair values and are reported as an increase in net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

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

The Agency uses the allowance method to determine uncollectible receivables related to contributions and support receivables. The allowance is based on prior years’ experience and management’s analysis of specific promises made. No allowance was deemed necessary as of June 30, 2019 and 2018. All receivables are classified as current as they are expected to be collected within one year.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Property and Equipment and Depreciation
It is the Agency's policy to capitalize all property and equipment over $1,000. Acquisitions are recorded at cost. Donations of property and equipment are recorded as revenues at their estimated fair value. Such donations are reported as increases to net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities and the statements of functional expenses for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful lives of the assets ranging from five to thirty-nine years and computed on the straight-line method.

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

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

Advertising
All advertising costs are expensed when incurred.

Functional Allocation of Expenses
The following program and supporting services classifications are included in the accompanying financial statements.

Program services consist of an adult program, which provides direct referrals to employment services, educates the public regarding criminal justice issues, and supports successful transitions back into the community through life skills training.

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

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

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

Income Taxes
The Agency is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the tax laws of the state of Tennessee.

Note 1 - Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)
Accounting principles generally accepted in the United States of America require the Agency to evaluate tax positions taken by the Agency and recognize a tax liability (or asset) if the Agency has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Agency and has concluded that as of June 30, 2019 no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Agency is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Agency is no longer subject to U.S. federal income tax examinations by tax authorities for years ended prior to June 30, 2016.

New Accounting Pronouncement
On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 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, the requirement of reporting expenses by both their natural and functional classification, and the lack of consistency in the type of information provided about expenses and investment return. The Agency has adjusted the presentation of these statements accordingly.

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

Note 2 - Availability and Liquidity

The following represents the Agency's financial assets at June 30, 2019:

Financial assets:		
Cash	$	233,987
Contribution receivable		100,000
Federal and state government receivables		320,635
Total financial assets at year end		654,622
Less amounts not available to be used within one year:		
Net assets with donor restrictions		265,355
Amounts restricted for use in next year		(160,000)
Amounts restricted for imputed interest		(99,035)
		6,320
Financial assets available to meet cash needs for general expenditures within one year	$	648,302

As part of its liquidity plan, the Agency has a policy to structure its financial assets in order to have the funds available to meet its general expenditures, liabilities, and other obligations as they come due.

Note 3 - Property and Equipment

Property and equipment consist of the following at June 30:

	2019	2018
Furniture and equipment	$ 76,572	$ 64,815
Vehicles	216,269	144,123
Buildings	1,063,176	1,046,660
Land	225,443	225,443
	1,581,460	1,481,041
Less accumulated depreciation	(207,987)	(127,238)
	$ 1,373,473	$ 1,353,803

Depreciation expense was $80,749 and $45,124 for 2019 and 2018, respectively.

Note 4 - Line of Credit

The Agency has a $250,000 line of credit with a financial institution that was originated in July 2019 and matures in July 2020. Borrowings under the line bear interest at the financial institution's prime rate plus 1.25% (6.75% at June 30, 2019). Borrowings are secured by the assets of the Agency. Outstanding borrowings on the line of credit at June 30, 2019 totaled $200,000.

Note 5 - Long-Term Debt

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

	2019	2018
Note payable to CapStar Bank, monthly fixed principal payments of $636 plus accrued interest, variable interest rate of prime less 4.0% (1.5% at June 30, 2019), all unpaid principal and interest due March, 2022, collateralized by real estate. This note has been recorded net of unamortized discount of $13,502 imputed at the rate of 4%.	$ 160,308	$ 161,501
Note payable to CapStar Bank, monthly installment payments of $542, variable interest rate of prime less 4.0% (1.5% at June 30, 2019), all unpaid principal and interest due September, 2022, collateralized by real estate. This note has been recorded net of unamortized discount of $19,852 imputed at the rate of 4.5%.	129,199	129,871
Note payable to CapStar Bank, monthly fixed principal payments of $950 plus accrued interest, variable interest rate of prime less 4.0% (1.5% at June 30, 2019), all unpaid principal and interest due November, 2022, collateralized by real estate. This note has been recorded net of unamortized discount of $35,304 imputed at the rate of 4.5%.	231,646	232,599

Note 5 - Long-Term Debt (Continued)

	2019	2018
Note payable to Pinnacle Bank, monthly installment payments of $486, variable interest rate of prime less 4.0% (1.5% at June 30, 2019), all unpaid principal and interest due February, 2038, collateralized by real estate. This note has been recorded net of unamortized discount of $30,377 imputed at the rate of 4.5%.	73,618	76,081
	594,771	600,052
Less current portion	(5,517)	(5,282)
	$ 589,254	$ 594,770

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

Year ending June 30,	
2020	$ 5,517
2021	5,765
2022	162,448
2023	358,458
2024	3,083
Thereafter	59,500
	$ 594,771

Note 6 - Net Assets

The net assets with donor restrictions at June 30, 2019 from corporate and foundation grants are attributable to grants from various donors for specific program services or event sponsorships totaling $259,035. Net assets with donor restrictions from project restrictions are the result of the Agency holding and disbursing funds on behalf of another charitable organization totaling $6,320.

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

Note 7 - Donated Goods and Services

In-kind contributions of food and supplies totaling $46,459 and $66,847 have been included in changes in net assets without donor restrictions in the financial statements for the years ended June 30, 2019 and 2018, respectively.

Note 8 - Concentrations

Financial assistance awards, contractual agreements and appropriations comprised 60% and 66% of the Agency's total support and revenues for the years ended June 30, 2019 and 2018, respectively. Contract services accounted for 18% and 14% of total support and revenues for the years ended June 30, 2019 and 2018, respectively.

Financial instruments that potentially subject the Agency to concentrations of credit risk include cash on deposit with financial institutions and receivables from financial assistance awards, contractual agreements, and support received from these agencies. Substantially all receivables for the years ended June 30, 2019 and 2018 were from these sources.

Note 8 - Concentrations (Continued)

The Agency's cash on deposit with financial institutions may at times exceed the federally insured limit of $250,000. The Agency had no cash on deposit in excess of the federally insured limit at June 30, 2019. The Agency had cash on deposit in excess of the federally insured limit totaling approximately $28,000 at June 30, 2018.

Note 9 - Leasing Arrangements

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

Year ending June 30,		
2020	$	106,314
2021		55,260
2022		777
	$	162,351

Rental expense for office space and office equipment was $123,209 and $89,053 for the years ended June 30, 2019 and 2018, respectively.

The Agency leases property to individuals served by their program. These leases act as an affordable housing alternative for the individuals and contain various monthly payments and maturities. Rental income under these leases was $91,448 and $31,893 for the years ending June 30, 2019 and 2018, respectively.

Note 10 - Commitments and Contingencies

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

Note 11 - Subsequent Events

The Agency has evaluated subsequent events through October 31, 2019 which is the date the financial statements were available to be issued.

PROJECT RETURN, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2019

Grantor / Pass-Through Grantor	Program Name	CFDA Number	Contract Number	Expenditures
Federal Awards				
Department of Labor	Reentry Employment Opportunities	17.270	PE-30789-17-60- A-47	$ 614,681
Department of Transportation /				
Tennessee Department of Transportation,	Federal Transit Cluster			
Nashville Metropolitan Transit Authority	Federal Transit-Formula Grants	20.507	2018863	146,532
Department of Health and Human Services /				
Tennessee Department of Human Services	Child Support Enforcement	93.563	52763	270,000
Tennessee Department of Mental Health and Substance Abuse Services	Opioid STR	93.788	57910	54,620
				324,620
Total Federal Awards				1,085,833
State Financial Assistance				
Tennessee Department of Corrections	Direct Appropriations Grant	N/A	N/A	832,000
Regional Transportation Authority of Middle Tennessee		N/A	N/A	46,276
Tennessee Housing Development Association		N/A	HTF-17F-04	7,500
Total State Financial Assistance				885,776
Total Federal Awards and State Financial Assistance				$ 1,971,609

Notes

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarized the expenditures of the Agency under programs of the federal and state governments for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2. Loans Outstanding

The Agency had no federal or state loans outstanding as of June 30, 2019.

Note 3. Indirect Cost Rate

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

BLANKENSHIP

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
Project Return, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Project Return, Inc. (the Agency), which comprise the statement of financial position as of June 30, 2019, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
October 31, 2019

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

To the Board of Directors
Project Return, Inc.

Report on Compliance for Each Major Federal Program
We have audited Project Return, Inc.'s (the Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2019. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program
In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
October 31, 2019

PROJECT RETURN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

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

17.270 U.S Department of Labor - Reentry Employment Opportunities

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

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – Prior Year Findings

None reported.