THE ARC DAVIDSON COUNTY
& GREATER NASHVILLE & AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

As of and for the Years Ended June 30, 2020 and 2019

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, 2020

Board of Directors

Tyler Lisowski	President
Cynthia Gardner	Past 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

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, 2020 and 2019, 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, 2020 and 2019, 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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020, 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
December 8, 2020

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE & AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 220,684	$ 239,723
Investments	640,509	620,369
Government contract receivables	134,411	145,010
Government grant receivables	262,175	195,686
Receivables - other	2,133	5,340
Prepaid expenses	17,880	16,214
Total Current Assets	1,277,792	1,222,342
Property and Equipment:		
Office furniture and equipment	51,149	73,907
Less accumulated depreciation	(35,317)	(57,696)
Net Property and Equipment	15,832	16,211
Total Assets	**$ 1,293,624**	**$ 1,238,553**
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$ 45,890	$ 62,421
Contract refund payable	4,496	22,513
Unearned deposits	46,785	93,542
Line of credit	6	-
Deferred grant revenue	186,612	-
Total Current Liabilities	283,789	178,476
Net Assets:		
Without Donor Restrictions:		
Operating	994,003	1,043,866
Furniture and equipment	15,832	16,211
Total Net Assets Without Donor Restriction	1,009,835	1,060,077
Total Liabilities and Net Assets	**$ 1,293,624**	**$ 1,238,553**

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 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 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	7,321	86,425
Payroll taxes	7,773	38,229	-	40	46,042	9,164	55,206
Postage	1,182	4,237	42,984	1	48,404	151	48,555
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 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 STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ (50,242)	$ 18,623
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,223	6,060
Loss of disposal of property and equipment	3,555	-
Realized and unrealized loss on investments	3,077	4,654
Changes in current assets and liabilities:		
Government contract receivables	10,599	3,461
Government grant receivables	(66,489)	(33,578)
Receivables - other	3,207	1,845
Prepaid expenses	(1,666)	(3,520)
Accounts payable and accrued expenses	(16,531)	16,022
Contract refund payable	(18,017)	604
Unearned deposits	(46,757)	93,542
Deferred grant revenue	186,612	-
Net cash provided by operating activities	12,571	107,713
Cash flows from investing activities:		
Purchases of investments	(764,178)	(103,644)
Proceeds from sales of investments	740,961	67,694
Purchases of office furniture and equipment	(8,399)	(1,001)
Net cash used in investing activities	(31,616)	(36,951)
Cash flows from financing activities:		
Proceeds from issuance of line of credit	171,325	-
Repayments on line of credit	(171,319)	-
Net cash provided by financing activities	6	-
Change in cash and cash equivalents	(19,039)	70,762
Cash and cash equivalents, beginning of year	239,723	168,961
Cash and cash equivalents, end of year	$ 220,684	$ 239,723

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 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, 2020 and 2019 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, 2020 and 2019.

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 8) are recorded in unearned deposits.

Note 1—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, 2019 through June 30, 2020.

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, 2020 and 2019.

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—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 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, 2020. 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, 2020 and 2019. Employee retirement plan expense for the years ended June 30, 2020 and 2019 was $14,140 and $15,285, respectively.

Recently Adopted Accounting Pronouncements – In June 2018, FASB issued Accounting Standards Update ("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 Organization evaluated the new standard and determined the accounting standard did not require a change to the Organization's practices of recording contributions.

Note 1—Summary of significant accounting policies (continued)

Forthcoming Accounting Pronouncements – In May 2014, 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, 2021. The Organization is currently evaluating the effect of the implementation of this new standard.

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 December 8, 2020, 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—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 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:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	$ 220,684	$ 239,723
Investments	640,509	620,369
Government contract receivables	134,411	145,010
Government grant receivables	262,175	195,686
Receivables - other	2,133	5,340
Financial assets available to meet cash needed for general expenditures within one year	$ 1,259,912	$ 1,206,128

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, 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

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
Small-cap funds	55,426	-	-	55,426
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
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	555,427	-	-	555,427
Total investments	$ 620,369	$ -	$ -	$ 620,369

Note 4—Government grants and contracts

The Organization was due $134,411 and $145,010 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, 2020 and 2019, respectively. Under this arrangement, the Organization earned contract revenues totaling $800,398 and $884,864 for the support coordination program for the years ended June 30, 2020 and 2019, respectively.

During the years ended June 30, 2020 and 2019, the Organization earned grant monies totaling $828,807 and $828,869, respectively, for the family support program. The Organization was due $160,315 and $126,148 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, 2020 and 2019, 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, 2020 and 2019, respectively. Amounts due from the State of Tennessee Department of Health at June 30, 2020 and 2019 totaled $101,860 and $45,097, respectively.

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. The Organization collected all amounts in fiscal year 2020 that were due to the Organization at June 30, 2019.

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. The Organization collected all amounts in fiscal year 2020 that were due to the Organization at June 30, 2019.

Note 5—Paycheck Protection Program loan

In April 2020, the Organization received a Paycheck Protection Program loan ("PPP") in the amount of $186,612 under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Paycheck Protection Program through Pinnacle Bank. The PPP Loan is granted by the Small Business Administration under the CARES Act. PPP loans are considered conditional contributions under ASC 958-605, *Not-for Profit Entities - Revenue Recognition*. The loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Organization has deferred recognition of grant revenue for the year ended June 30, 2020, because the conditions for forgiveness have not yet been substantially met, however, the Organization believes it will substantially meet the conditions required for forgiveness in the following year.

Note 6—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 7—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 $86,425 and $83,857 for the years ended June 30, 2020 and 2019, respectively. Subsequent to June 30, 2020, the Organization entered into a new lease agreement for 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.

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, 2020 and including the new office lease beginning October 2020 are as follows:

Years Ending June 30,	
2021	$ 45,218
2022	39,718
2023	35,669
2024	36,732
2025	37,833
Thereafter	9,528
	$ 204,698

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 8—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.

Note 8—Cart revenues (continued)

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 $206,496 and $199,512 under this arrangement for the years ended June 30, 2020 and 2019, respectively. The contract may be terminated by either party upon 60 days written notice.

Note 9—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 under this arrangement for the year ended June 30, 2019. As of June 30, 2019, $14,979 was expensed as salaries, payroll taxes, and incidental costs. This contract was terminated during the year ended June 30, 2019.

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 $705,713 and $704,513 during the years ended June 30, 2020 and 2019, respectively, to eligible persons for family support services.

Under the State of Tennessee Department of Health TBI funding arrangement, the Organization paid $230,000 to those who were eligible for such support for both years ended June 30, 2020 and 2019, 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 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 $6 and $-0- at June 30, 2020 and 2019, respectively. The line of credit matured in December 2019 and was renewed through December 2020, 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, 2020

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	$ 6,688
Total Federal Awards			6,688
State Awards:			
Tennessee Department of Finance and Administration:			
Department of Intellectual and Developmental Disabilities:			
Family Support Services Program - Davidson County	N/A	34401-99126	701,245
Family Support Services Program - Wilson County	N/A	34401-99126	127,562
			828,807
Tennessee Department of Health:			
Family Support Services Program - Traumatic Brain Injury	N/A	34347-61519	280,000
Total State Awards			1,108,807
Total Federal and State Awards			$ 1,115,495

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, 2020. 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, 2020 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 8, 2020.

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
December 8, 2020

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

JUNE 30, 2020

There were no prior findings reported.