THE ARC DAVIDSON COUNTY & GREATER NASHVILLE

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Years Ended June 30, 2022 and 2021

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

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

AS OF JUNE 30, 2022

Board of Directors

Kay Dodd	President
April Scanlon	Past President
Matt Moser	Treasurer
Carolyn Shoffner	Secretary
Bettie Blackman	Board Member
Thom Druffel	Board Member
Laura Berry	Board Member
Richard Thompson	Board Member
Matt North	Board Member
Laurel Green	Board Member
Steve Hart	Board Member
Meredith Ashley	Board Member
Willie Smith	Board Member
Marshae Burton	Board Member
Elizabeth Ralph	Board Member

Executive Staff

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

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Arc Davidson County & Greater Nashville (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by State of Tennessee Audit Manual for Auditing, Accounting and Reporting for Local Government Units and Other Organizations, is presented for purposes of additional analysis and are 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 schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

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. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2023, on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Nashville, Tennessee
January 12, 2023

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 24,872	$ 68,111
Investments	774,045	796,962
Government grant receivables	351,498	416,861
Government contract receivables	126,655	132,530
Receivables - other	350,215	920
Prepaid expenses	25,713	27,091
Total Current Assets	1,652,998	1,442,475
Property and Equipment:		
Office furniture and equipment	36,007	53,911
Less accumulated depreciation	(21,711)	(41,258)
Net Property and Equipment	14,296	12,653
Total Assets	$ 1,667,294	$ 1,455,128
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$ 31,840	$ 31,550
Deferred revenue	-	1,200
Unearned deposits	5,569	8,602
Line of credit	20,817	-
Total Current Liabilities	58,226	41,352
Net Assets:		
Without Donor Restrictions:		
Operating	1,594,772	1,401,123
Furniture and equipment	14,296	12,653
Total Net Assets Without Donor Restrictions	1,609,068	1,413,776
Total Liabilities and Net Assets	$ 1,667,294	$ 1,455,128

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

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Government Grants:			
Family Support Program	$ 828,611	$ -	$ 828,611
Government Contracts:			
Support Coordination Program	775,869	-	775,869
Employee retention credit income	350,215	-	350,215
Cart revenues	292,033	-	292,033
Special events and other	26,174	-	26,174
Contributions	8,495	-	8,495
Investment return, net	(119,228)	-	(119,228)
Total Revenues and Other Support	2,162,169	-	2,162,169
Expenses:			
Program Services:			
Family Support	876,410	-	876,410
Support Coordination	744,581	-	744,581
Development	125,975	-	125,975
Support Services:			
Management and general	219,911	-	219,911
Total Expenses	1,966,877	-	1,966,877
Change in net assets	195,292	-	195,292
Net assets, beginning of year	1,413,776	-	1,413,776
Net assets, end of year	$ 1,609,068	$ -	$ 1,609,068

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

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE
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
Cart revenues	213,439	-	213,439
Paycheck Protection Program grant	186,612	-	186,612
Investment return, net	159,907	-	159,907
Other income	16,524	-	16,524
Contributions	15,539	-	15,539
Special events	1,000	-	1,000
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 accompanying notes to the financial statements are an integral part of these statements.

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services				Support Services	
	Family Support	Support Coordination	Development	Total Program Services	Management and General	Total Expenses
Client benefits	$ 704,878	$ -	$ -	$ 704,878	$ -	$ 704,878
Salaries	99,409	464,660	-	564,069	102,072	666,141
Postage	630	5,761	114,533	120,924	160	121,084
Contracted services	14,958	63,041	-	77,999	36,516	114,515
Employee benefits	18,142	60,519	-	78,661	11,449	90,110
Payroll taxes	7,532	35,312	-	42,844	7,783	50,627
Professional services	2,508	14,640	180	17,328	25,928	43,256
Subscriptions	733	35,536	-	36,269	1,616	37,885
Office rent	18,428	10,450	-	28,878	8,526	37,404
Telephone	1,735	14,455	-	16,190	3,400	19,590
Insurance	2,065	13,422	-	15,487	1,033	16,520
Fundraising	-	-	11,262	11,262	-	11,262
Travel	20	11,029	-	11,049	24	11,073
Equipment rental and maintenance	1,922	7,520	-	9,442	1,568	11,010
Supplies	465	3,203	-	3,668	3,277	6,945
Depreciation	-	-	-	-	5,980	5,980
Affiliation fees and maintenance	-	-	-	-	5,184	5,184
Utilities	2,566	1,455	-	4,021	1,362	5,383
Other rent	385	2,501	-	2,886	385	3,271
Miscellaneous	4	4	-	8	2,249	2,257
Conferences	-	-	-	-	1,024	1,024
License and fees	-	810	-	810	30	840
Awards and recognition	30	198	-	228	345	573
Printing and publications	-	65	-	65	-	65
	$ 876,410	$ 744,581	$ 125,975	$ 1,746,966	$ 219,911	$ 1,966,877

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

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE
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 accompanying notes to the financial statements are an integral part of these statements.

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 195,292	$ 403,941
Adjustments to reconcile change in net assets		
to net cash flows from operating activities:		
Depreciation	5,980	5,941
Realized and unrealized loss (gain) on investments	147,305	(142,707)
Changes in current assets and liabilities:		
Government grant receivables	65,363	(154,686)
Government contract receivables	5,875	1,881
Receivables - other	(349,295)	1,213
Prepaid expenses	1,378	(9,211)
Accounts payable and accrued expenses	290	(14,340)
Contract refund payable	-	(4,496)
Deferred revenue	(1,200)	1,200
Unearned deposits	(3,033)	(38,183)
Deferred grant revenue	-	(186,612)
Net cash flows from operating activities	67,955	(136,059)
Cash flows from investing activities:		
Purchases of investments	(290,720)	(117,441)
Proceeds from sales of investments	166,332	103,695
Purchases of office furniture and equipment	(7,623)	(2,762)
Net cash flows from investing activities	(132,011)	(16,508)
Cash flows from financing activities:		
Proceeds from issuance of line of credit	142,650	15,828
Repayments on line of credit	(121,833)	(15,834)
Net cash flows from financing activities	20,817	(6)
Change in cash and cash equivalents	(43,239)	(152,573)
Cash and cash equivalents, beginning of year	68,111	220,684
Cash and cash equivalents, end of year	$ 24,872	$ 68,111

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

Note 1—Nature of operations and summary of significant accounting policies

Nature of Organization – The Arc Davidson County & Greater Nashville (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.

Basis of Presentation – 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 ("U.S. GAAP") and 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 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, 2022 and 2021.

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. (See Note 2 for additional information.) Amounts received in advance for postage and related items under the Organization's agreement with J&I (see Note 10) are recorded in unearned deposits.

Liquidity – Assets are presented in the accompanying 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 – The Organization recognizes contributions as revenue when the contribution is received from the donor. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return or release – are not included as support until the conditions are met. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increase that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restriction.

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

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

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, 2021 through June 30, 2022.

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, 2022 and 2021.

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

Donated Services – Unpaid volunteers make contributions of time in various administrative, fundraising, and program functions. The value of contributed time is not reflected in the 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 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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 financial statements.

The Organization follows FASB Accounting Standards Codification ("ASC") guidance concerning the accounting for income taxes recognized in an entity's 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, 2022. Additionally, the Organization has not recognized any tax related interest and penalties in the accompanying 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, 2022 and 2021. Employee retirement plan expense for the years ended June 30, 2022 and 2021 was $17,363 and $14,944, respectively.

Adoption of New Accounting Pronouncements – In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. In addition, for each category of contributed nonfinancial assets recognized, certain additional disclosures are required. This standard is effective for the year ended June 30, 2022. The Organization has entered into an agreement with an outside company to collect all contributed nonfinancial assets. The outside company collects and pays the Organization for the contributed nonfinancial assets. The proceeds received are used for general operations of the organization (Note 10). There have been no donor restrictions placed on such contributions.

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 financial statements.

Subsequent Events – The Organization evaluated subsequent events through January 12, 2023, when these financial statements were available to be issued. Subsequent to June 30, 2022, the Organization was awarded a cost reimbursement grant through the State of Tennessee to provide certain Medicaid Alternative Pathways to Independence programming during the period October 2022 through June 2025.

Note 2—Revenue recognition

The Organization follows FASB Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606).* 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 and Revenue Recognition – 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.

Government Contracts – A portion of the Organization's revenue is derived by providing services to eligible individuals under grant and contract agreements. Due to the nature of these transactions, there is no variable consideration and only one performance obligation. Such revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized once the requirement has been met. Once the service is performed, the performance obligation is considered to have been met. Those transactions are considered contracts with customers as they have commercial substance through the transaction of cash payment in return for the service purchased.

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 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. 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 13, 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 statements of financial position date, comprise the following at June 30:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 24,872	$ 68,111
Investments	774,045	796,962
Government grant receivables	351,498	416,861
Government contract receivables	126,655	132,530
Receivables - other	350,215	920
Financial assets available to meet cash needed for general expenditures within one year	$ 1,627,285	$ 1,415,384

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, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 17,931	$ -	$ -	$ 17,931
Mutual funds:				
Large value funds	266,914	-	-	266,914
Short-term bonds funds	129,390	-	-	129,390
Intermediate-term bond funds	97,102	-	-	97,102
Growth funds	66,280	-	-	66,280
Bank loan	42,399	-	-	42,399
Nontraditional bonds	34,127	-	-	34,127
Convertibles	29,517	-	-	29,517
Mid-cap funds	28,531	-	-	28,531
Large blend	22,888	-	-	22,888
Small value	14,840	-	-	14,840
Diversified emerging markets funds	12,714	-	-	12,714
World small	11,412	-	-	11,412
Total mutual funds	756,114	-	-	756,114
Total investments	$ 774,045	$ -	$ -	$ 774,045

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 5—Government grants and contracts

The Organization was due $126,655 and $132,530 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, 2022 and 2021, respectively. Under this arrangement, the Organization earned contract revenues totaling $775,869 and $810,680 for the support coordination program for the years ended June 30, 2022 and 2021, respectively.

During the years ended June 30, 2022 and 2021, the Organization earned grant monies totaling $828,611 and $848,094, respectively, for the family support program. The Organization was due $351,498 and $334,422 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, 2022 and 2021, 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 the year ended June 30, 2021. Amounts due from the State of Tennessee Department of Health at June 30, 2021 totaled $82,439. This program ended effective June 30, 2021.

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 during the year ended June 30, 2021.

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—Employee retention credit

The CARES Act contains the Employee Retention Credit (“ERC”), a refundable payroll tax credit available to employers that have experienced hardship in their operations due to the COVID-19 outbreak. During the year ended June 30, 2022, the Organization reviewed its eligibility for ERC and determined that the Organization qualified for $350,215 of ERC for various quarters related to the calendar years 2020 and 2021. The Organization selected ASC 958-605 as the applicable standard for accounting for ERC and, as such, recognized the revenue for the ERC when the amended payroll tax returns were filed. An accounts receivable – employee retention credit of $350,215 is reflected in the accompanying statement of financial position for the year ended June 30, 2022.

Note 8—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 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 9—Operating lease commitments

The Organization entered into a 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. The annual lease payments totaled $37,404 and $40,039 for the years ended June 30, 2022 and 2021, 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, 2022 are as follows:

Years Ending June 30,		
2023	$	44,558
2024		45,621
2025		46,722
2026		16,300
	$	153,201

Note 10—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 semi-monthly 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 $292,033 and $213,439 under this arrangement for the years ended June 30, 2022 and 2021, respectively. The contract may be terminated by either party upon 60 days written notice.

Note 11—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 12—Client benefits

The Organization receives funding from the State of Tennessee Department of Finance and Administration, Division of Intellectual and Developmental Disabilities for family support services to be provided to persons with severe disabilities and who are eligible for such support. Certain requirements must be met as provided by the Family Support Guidelines Act before support can be given by the Organization. The Organization paid $704,878 and $720,958 during the years ended June 30, 2022 and 2021, respectively, to eligible persons for family support services.

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

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 statements of activities and functional expenses.

Note 13—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 $20,817 and $-0- at June 30, 2022 and 2021, respectively. The line of credit matured in December 2021 and was renewed through January 2023, under substantially the same terms.

SUPPLEMENTARY INFORMATION

THE ARC DAVIDSON COUNTY & GREATER NASHVILLE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR / PASS-THROUGH GRANTOR Program / Cluster Name	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures
State Awards:			
Tennessee Department of Finance and Administration:			
Department of Intellectual and Developmental Disabilities:			
Family Support Services Program - Davidson County	N/A	34401-99255	$ 689,284
Family Support Services Program - Wilson County	N/A	34401-99255	139,327
Total State Awards			$ 828,611

Note 1—Basis of presentation

The accompanying Schedule of Expenditures of State Financial Assistance (the "Schedule") summarizes the expenditures of The Arc Davidson County & Greater Nashville under programs of the state of Tennessee for the year ended June 30, 2022. 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.

The Arc Davidson County & Greater Nashville did not have expenditures to subrecipients during the year ended June 30, 2022.

Note 3—Contingencies

This program is subject to financial and compliance audits by the grantor agency. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

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
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 financial statements of The Arc Davidson County & Greater Nashville (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 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
January 12, 2023

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

JUNE 30, 2022

There were no prior findings reported.