TENNESSEE FAMILY SOLUTIONS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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Board of Directors

Independent Auditor's Report

The Board of Directors
Tennessee Family Solutions, Inc.
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Tennessee Family Solutions, Inc. (a Tennessee not-for-profit corporation), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and 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 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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Family Solutions, Inc. as of June 30, 2020 and 2019, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying board of directors listing as required by the State of Tennessee, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

The board of directors listing has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020, on our consideration of Tennessee Family Solutions, Inc.'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 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 Tennessee Family Solutions, Inc.'s internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
September 28, 2020

TENNESSEE FAMILY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30, 2020	June 30, 2019
Cash and cash equivalents	$ 2,818,268	$ 1,222,763
Agency fund cash (Note C)	184,057	102,641
Accounts receivable, no allowance considered necessary	1,558,537	1,652,564
Other receivables	57,301	64,817
Prepaid expenses and other assets	111,137	77,150
Property, buildings, and equipment, net (Notes D, E, and F)	11,871,200	12,437,458
Total assets	$ 16,600,500	$ 15,557,393

LIABILITIES AND NET ASSETS

	2020	2019
Liabilities:		
Accounts payable and accrued expenses	$ 224,397	$ 187,651
Funds held in custody for residents (Note C)	184,057	102,641
Accrued payroll and compensated absences	741,734	690,298
Notes payable, net (Note F)	4,772,078	3,438,369
Bonds payable, net (Note E)	5,755,475	6,204,251
Total liabilities	11,677,741	10,623,210
Net Assets:		
Net assets without donor restrictions	4,922,759	4,934,183
Total net assets	4,922,759	4,934,183
Total liabilities and net assets	$ 16,600,500	$ 15,557,393

See accompanying notes to financial statements.

TENNESSEE FAMILY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Without Donor Restrictions	
	Year Ended June 30,	
	2020	2019
Support:		
Contributions	$ 4,453	$ 33,614
Total support	4,453	33,614
Revenue:		
Health and related services, net	11,424,998	11,649,167
Other income	16,497	8,144
Total revenue	11,441,495	11,657,311
Total support and revenue	11,445,948	11,690,925
Expenses:		
Program services	8,940,325	8,841,659
General and administrative	2,517,047	2,597,362
Total expenses	11,457,372	11,439,021
(Decrease) increase in net assets	(11,424)	251,904
Net assets at beginning of year	4,934,183	4,682,279
Net assets at end of year	$ 4,922,759	$ 4,934,183

See accompanying notes to financial statements.

TENNESSEE FAMILY SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	2020		
	Program Services	General and Administrative	Total
Salaries	$ 5,709,966	$ 1,253,617	$ 6,963,583
Employee benefits and taxes	563,255	288,696	851,951
Total salaries and related expenses	6,273,221	1,542,313	7,815,534
Advertising	-	31,725	31,725
Property leases	94,021	7,048	101,069
Property taxes and dues	29,143	15,760	44,903
Utilities	200,112	12,645	212,757
Food	256,507	3,690	260,197
Maintenance	87,064	63,178	150,242
Equipment lease	20,869	12,006	32,875
Supplies	218,390	23,830	242,220
Travel	51,350	23,288	74,638
Professional services	103,917	115,883	219,800
ICF/MR tax	124,160	-	124,160
Other operating expenses	427	17,542	17,969
Insurance	-	299,589	299,589
Administrative services	77,716	147,913	225,629
Foster care program	202,695	-	202,695
Communication	113,198	34,133	147,331
Total other expenses	1,579,569	808,230	2,387,799
Total operating expenses before interest, depreciation, and amortization	7,852,790	2,350,543	10,203,333
Interest expense	488,716	78,111	566,827
Amortization expense	18,844	6,749	25,593
Depreciation expense	579,975	81,644	661,619
Total expenses per statement of activities	$ 8,940,325	$ 2,517,047	$ 11,457,372

See accompanying notes to financial statements.

TENNESSEE FAMILY SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	2019		
	Program Services	General and Administrative	Total
Salaries	$ 5,613,441	$ 1,243,683	$ 6,857,124
Employee benefits and taxes	563,789	307,440	871,229
Total salaries and related expenses	6,177,230	1,551,123	7,728,353
Advertising	-	52,080	52,080
Property leases	108,477	9,008	117,485
Property taxes and dues	30,936	12,938	43,874
Utilities	199,334	11,854	211,188
Food	252,280	3,842	256,122
Maintenance	86,944	60,624	147,568
Equipment lease	28,934	20,175	49,109
Supplies	213,495	25,419	238,914
Travel	66,322	29,472	95,794
Professional services	100,035	157,956	257,991
ICF/MR tax	120,485	-	120,485
Other operating expenses	14,763	20,453	35,216
Insurance	-	298,467	298,467
Administrative services	63,055	148,485	211,540
Foster care program	122,664	-	122,664
Communication	148,773	29,608	178,381
Total other expenses	1,556,497	880,381	2,436,878
Total operating expenses before interest, depreciation, and amortization	7,733,727	2,431,504	10,165,231
Interest expense	530,605	80,508	611,113
Amortization expense	18,844	6,749	25,593
Depreciation expense	558,483	78,601	637,084
Total expenses per statement of activities	$ 8,841,659	$ 2,597,362	$ 11,439,021

See accompanying notes to financial statements.

TENNESSEE FAMILY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended June 30, 2020	2019
Cash flows from operating activities:		
(Decrease) increase in net assets	$ (11,424)	$ 251,904
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Items not requiring cash:		
Depreciation and amortization	687,212	662,677
Gain on sale of equipment	(8,124)	(3,535)
Changes in:		
Receivables	101,543	(69,497)
Prepaid expenses and other assets	(33,987)	3,010
Accounts payable and accrued expenses	88,182	86,739
Net cash provided by operating activities	823,402	931,298
Cash flows from investing activities:		
Purchases of property, buildings and equipment	(95,361)	(195,490)
Proceeds from sale of equipment	8,124	3,535
Net cash used in investing activities	(87,237)	(191,955)
Cash flows from financing activities:		
Proceeds from note payable	1,482,291	-
Principal payments on bonds payable	(467,620)	(458,965)
Principal payments on notes payable	(155,331)	(130,343)
Net cash provided by (used in) financing activities	859,340	(589,308)
Net change in cash and cash equivalents	1,595,505	150,035
Cash and cash equivalents at beginning of year	1,222,763	1,072,728
Cash and cash equivalents at end of year	$ 2,818,268	$ 1,222,763
Supplemental disclosures:		
Cash paid for interest	$ 566,827	$ 611,113

See accompanying notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and General

Tennessee Family Solutions, Inc., (the Corporation) is a nonprofit corporation organized on October 25, 1999. The Corporation's primary mission is to provide residential and support services to children and adults with severe and multiple disabilities allowing them the opportunity to lead safe, stable and personally fulfilling lifestyles in Tennessee communities. Orchard Foundation, LLC is a wholly-owned subsidiary of the Corporation, formed in fiscal 2011 for the purpose of future acquisition and development of residential care facilities. The financial statements and footnotes are presented on a consolidated basis with all significant intercompany balances and transactions eliminated in the consolidation. The significant accounting policies and practices followed by the Corporation, are presented below to assist the reader in evaluating the consolidated financial statements.

Basis of Presentation

The consolidated financial statements of the Corporation have been prepared using the accrual basis of accounting.

The Corporation classifies its support, revenue, expenses, gains, and losses into two classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of the Corporation and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the mission and primary objectives of the Corporation. These net assets may be used at the discretion of management and the Board of Directors. Funds designated by the Corporation's Board represent funds for which the Board has set general guidelines for use.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature; whereby the donor has stipulated funds be maintained in perpetuity, but may permit the Corporation to use or expend part or all of the income derived from the donated assets.

The amount for each of these classes of net assets is presented in the consolidated statements of financial position and the amount of change in each class of net assets is displayed in the consolidated statements of activities. There were no net assets with donor restrictions as of June 30, 2020 and 2019.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The Corporation considers all cash and liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents. The Corporation maintains cash balances in financial institutions that it considers to be high quality financial institutions. (See Note N).

Contributions

The Corporation reports gifts of cash and other assets as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

The Corporation reports gifts of property and equipment as increases in net assets without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as increases in net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue Recognition for Health and Related Services

Revenue from health and related services is based on consideration defined in the contracts. Health and related services revenue is recognized at a point in time as the performance obligations are provided. Performance obligations are satisfied as the health and related services are provided daily.

The Corporation has agreements with third-party payers that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Health and related services revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered. The contracts do not have a significant financing component or variable consideration elements. The Corporation participates in certain Medicaid programs.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable consist of amounts due from patients and third-party payers for health and related services provided. Accounts receivable are carried at cost less an allowance for doubtful accounts. Accounts receivable are periodically evaluated for collectability. Provisions for uncollectible accounts are determined on the basis of experience, known and inherent risks, and current economic conditions. No allowance was considered necessary at June 30, 2020 and 2019.

Donated Services and Materials

A substantial number of unpaid volunteers have made significant contributions of their time to the Corporation's programs and administrative activities. The value of this contributed time is not reflected in these consolidated financial statements since it is not susceptible to objective measurement or valuation. Donated materials are recorded at fair market value at the date of the gift.

Property, Buildings, and Equipment

Property, buildings, and equipment are carried at cost. Property donated is recorded at its estimated market value at the date of the gift. The Corporation capitalizes asset additions greater than $1,000 that have a useful life of more than one year. Additions that do not meet these criteria are expensed when purchased. Repairs and maintenance are charged to expenses as incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. No interest was capitalized for the years ended June 30, 2020 and 2019. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following is a summary of useful lives:

Buildings	25 years
Equipment and vehicles	3 - 5 years
Leasehold improvements	3 - 10 years

Debt Issuance Costs

Costs incurred in connection with the issuance of the Corporation's bonds and notes payable have been capitalized and are being amortized using the straight-line method, which approximates the interest method, over the term of the loans. Unamortized debt issuance costs are presented as a direct deduction from the carrying amount of the related liability in the consolidated statements of financial position.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Tax Status

The Corporation is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code; and accordingly, no provision for income tax is included in the accompanying financial statements. The Corporation is not classified as a private foundation.

The Corporation accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Corporation include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the Corporation has determined that such tax positions do not result in an uncertainty requiring recognition.

Use of Estimates

Judgment and estimation are exercised by management in certain areas of the preparation of financial statements. The most significant estimates include the recovery period for buildings and equipment, the collectibility of receivables and the allocation of functional expenses. Management believes that such estimates have been based on reasonable assumptions and that such estimates are appropriate. Actual results could differ from those estimates.

Functional Expenses

Expenses have been allocated by function into program services and general and administrative activities benefited based on certain estimates made by management.

New Accounting Pronouncement

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Corporation adopted ASU 2014-09 and related amendments on July 1, 2019 using the modified retrospective method. The adoption of the standard did not impact the results of operations or change in net assets.

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at June 30, 2020 and 2019:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	$ 2,818,268	$ 1,222,763
Agency fund cash	184,057	102,641
Accounts and other receivables	1,615,838	1,717,381
Total financial assets	4,618,163	3,042,785
Less amounts not available to be used for general expenditures within one year:		
Funds held in custody for residents	(184,057)	(102,641)
Financial assets available to meet general expenditures within one year	$ 4,434,106	$ 2,940,144

The Corporation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Corporation has various sources of liquidity at its disposal, including cash and cash equivalents, accounts and other receivables, as well as an available line of credit.

C. FUNDS HELD IN CUSTODY FOR RESIDENTS

The Corporation serves as custodian for social security, patient and supplemental security income received for certain residents and miscellaneous contributions. These funds are deposited into the agency fund cash account. As of June 30, 2020 and 2019, the Corporation was serving as custodian for $184,057 and $102,641, respectively, which represents the unexpended personal funds held for residents.

D. PROPERTY, BUILDINGS, AND EQUIPMENT

Property, buildings, and equipment at June 30, 2020 and 2019, consisted of the following:

	2020	2019
Land	$ 1,379,349	$ 1,379,349
Buildings	14,709,911	14,666,303
Equipment and vehicles	1,019,375	995,196
Leasehold improvements	241,537	241,537
Total property, buildings, and equipment	17,350,172	17,282,385
Less accumulated depreciation	(5,478,972)	(4,844,927)
	$ 11,871,200	$ 12,437,458

E. BONDS PAYABLE

During the year ended June 30, 2011, the Corporation used the proceeds from the sale of $7,883,000 Health Facilities Revenue Bonds, Series 2011A and $2,000,000 Health Facilities Revenue Bonds, Series 2011B to finance a portion of the acquisition of certain residential care facilities.

Bonds payable at June 30, 2020 and 2019, consisted of the following:

	2020	2019
Health Care Facilities Revenue Bonds, Series 2011A*	$ 4,243,000	$ 4,633,000
Health Care Facilities Revenue Bonds, Series 2011B**	1,712,800	1,790,420
	5,955,800	6,423,420
Less: unamortized debt issuance costs	(200,325)	(219,169)
Total bonds payable, net	$ 5,755,475	$ 6,204,251

*fixed rate of 5.82% at June 30, 2020
**fixed rate of 12% at June 30, 2020

E. BONDS PAYABLE - Continued

Series 2011A

Variable interest (fixed rate through February 28, 2021), tax exempt Health Care Facilities Revenue Bonds, Series 2011A are dated February 17, 2011, and mature serially through March 1, 2031. The bonds were issued by the Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee (the “Metropolitan Board”). The Corporation has issued a note payable to the Metropolitan Board for the bonds pursuant to a Loan Agreement secured by the revenues and assets of the Corporation. The agreements require monthly principal installments of \$32,500 commencing on April 1, 2011 and due the 1st of each month thereafter. Interest on the bonds is due on the first business day of every month commencing April 1, 2011. Payments for the bonds are required to be deposited with the trustee for retirement of bond principal and interest.

Optional Redemption

The Series 2011A bonds are subject to optional redemption prior to maturity at the option of the Corporation, subject to the consent of the Metropolitan Board, in whole or in part prior to maturity on any interest rate adjustment date at a redemption price of 100% of the principal amount to be redeemed plus accrued interest thereon to the date of redemption, plus the sum of the present value of the difference between the interest due at date of redemption and what would have been due had the Corporation chosen not to prepay.

Mandatory Redemption

The mandatory redemption amounts of the bonds are shown as principal reductions during the year of required redemption. The bonds will be redeemed at 100% of the principal amount, plus accrued interest to the redemption date.

The bonds are also subject to extraordinary mandatory redemption, in whole or in part, in the event of certain circumstances or determinations, which include a determination of taxability. The bonds, depending on the circumstances, would be redeemed at the redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date, plus the sum of the present value of the difference between the interest due at date of redemption and what would have been due had the Corporation chosen not to prepay.

E. BONDS PAYABLE - Continued

Series 2011B

Fixed interest, tax exempt Health Facilities Revenue Refunding Bonds, Series 2011B are dated February 17, 2011, and mature serially through December 5, 2030. The bonds were issued by the Metropolitan Board. The Corporation has issued a note payable to the Metropolitan Board for the bonds pursuant to a loan agreement secured by the revenues and assets of the Corporation. The agreements require quarterly principal and interest installments of $72,266 commencing on March 5, 2016. Interest accrues at the rate of 12%.

Optional Redemption

Beginning January 1, 2021, the Series 2011B bonds are subject to optional redemption prior to maturity at the option of the Corporation, subject to the consent of the Metropolitan Board, in whole or in part prior to maturity on any interest rate adjustment date at a redemption price equal to the following percentages of the principal amount to be redeemed plus accrued interest thereon to the date of redemption as follows:

Redemption Date	Redemption Price
During 2021	105%
During 2022	104%
During 2023	103%
During 2024	102%
During 2025	101%
Thereafter	Par

Mandatory Redemption

The mandatory redemption amounts of the bonds are shown as principal reductions during the year of required redemption. The bonds will be redeemed at 100% of the principal amount, plus accrued interest to the redemption date.

The bonds are also subject to extraordinary mandatory redemption, in whole or in part, in the event of certain circumstances or determinations, which include a determination of taxability. The bonds, depending on the circumstances, would be redeemed at redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date, plus the sum of the present value of the difference between the interest due at date of redemption and what would have been due had the Corporation chosen not to prepay.

E. BONDS PAYABLE - Continued

The loan agreements contain various financial covenants. The Corporation was in compliance with these covenants at June 30, 2020 or has obtained an appropriate waiver.

The maturities of bonds payable at June 30, 2020, are as follows:

Year Ending June 30,	Amount
2021	$ 477,362
2022	488,327
2023	500,668
2024	514,557
2025	530,191
Thereafter	3,444,695
	5,955,800
Less: unamortized debt issuance costs	(200,325)
	$ 5,755,475

F. NOTES PAYABLE

A summary of notes payable at June 30, 2020 and 2019 is as follows:

	2020	2019
Note payable to financial institution due in monthly principal and interest installments of $11,907 at 4.80%, maturing January 2025, secured by certain property.	$ 1,570,878	$ 1,625,922
Note payable to financial institution due in monthly principal installments of $8,550, plus interest at the Prime Rate minus 4.00% but not less than 0.00% (0.00% and 1.50% at June 30, 2020 and 2019, respectively), maturing March 2025, secured by certain properties.	1,750,890	1,851,177

F. NOTES PAYABLE - Continued

	2020	2019
Small Business Administration Paycheck Protection Loan due in monthly principal and interest payments of $83,413 at a fixed rate of 1.00%, beginning November 2020 and continuing through maturity in April 2022.	1,482,291	-
	4,804,059	3,477,099
Less: unamortized debt issuance costs	(31,981)	(38,730)
Total notes payable, net	$ 4,772,078	$ 3,438,369

The future notes payable maturities at June 30, 2020, are as follows:

Year Ending June 30,	Amount
2021	$ 812,449
2022	993,890
2023	166,496
2024	169,494
2025	2,661,730
	4,804,059
Less: unamortized debt issuance costs	(31,981)
Total	$ 4,772,078

G. LINE-OF-CREDIT

At June 30, 2020 and 2019, the Corporation had a revolving line-of-credit with a financial institution of $500,000 in order to meet working capital needs. The line-of-credit is secured by the assets of the Corporation. As of June 30, 2020 and 2019, there were no outstanding borrowings under the agreement.

H. CONTRACTS

The balances of receivables, contract assets, and contract liabilities consist of the following at June 30, 2020, 2019, and 2018:

	2020	2019	2018
Accounts receivable	$1,558,537	$1,652,564	$1,609,008
Contract assets	$ -	$ -	$ -
Contract liabilities	$ -	$ -	$ -

I. OPERATING LEASES

The Corporation leases certain facilities, equipment, and vehicles under noncancelable operating leases. The leases expire at various dates through May 2022. Total rent expense was $133,944 and $166,594 for fiscal year 2020 and 2019, respectively.

A summary of the future minimum rental payments under the remaining operating leases at June 30, 2020, is as follows:

Year Ending June 30,	Amount
2021	$56,740
2022	14,471
2023	4,196
	$75,407

J. SIGNIFICANT FUNDING SOURCES

Approximately 99% of the Corporation's total support and revenue was provided through Medicaid programs for the years ended June 30, 2020 and 2019.

K. RETIREMENT PLAN

The Corporation maintains a defined contribution retirement plan covering substantially all of its employees. The Corporation may make discretionary contributions on the employee's behalf. Employees are vested immediately in benefits arising from their contributions. Benefits relating to contributions by the Corporation become fully vested after two years of participation. Contributions totaled $23,812 and $20,539 for the years ended June 30, 2020 and 2019, respectively.

L. ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising costs for the fiscal years ended June 30, 2020 and 2019 were $31,725 and $52,080, respectively.

M. MANAGEMENT AND CONSULTING CONTRACTS

The Corporation has a five-year service agreement with Eidetik, Inc. Under the terms of the contract, effective December 1, 2010, Eidetik, Inc. provides certain services including financial management, human resources and employee training, technology, and program quality evaluation. Base fees are $10,000 per month plus 2.75% of monthly collections of revenue for ICF/MR beds.

N. CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash and cash equivalents in financial institutions at balances, which, at times, may be uninsured or may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant risk of loss on cash and cash equivalents. The Corporation derives a majority of its revenues from the State of Tennessee under Medicaid programs. Credit risk extends to receivables, which are uncollateralized. Management does not believe there is any significant collection risk.

O. COVID-19 PANDEMIC

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the pandemic continues to evolve as of the date of this report and has affected the Corporation's operational and financial performance due to the impact on its residents, employees and vendors, which is the result of various restrictions put in place by governments to curtail the spread of the coronavirus as well as due to developments such as social distancing and shelter-in-place directives. In April 2020, in order to assist in the mitigation of the negative impact on its operational and financial performance, the Corporation applied for and received financing from the Small Business Administration (the "SBA") totaling $1,482,291 through the Paycheck Protection Program (the "Program"). Under the Program, the loan is subject to forgiveness if it is utilized for expenditures such as certain payroll, rent, and utility costs. It was management's intent to utilize the loan proceeds for purposes that qualify the loan for forgiveness under the Program, and management expects the loan to ultimately be forgiven.

While expected to be temporary, the Corporation cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on the Corporation's results of future operations, financial position, and liquidity in fiscal year 2021.

P. SUBSEQUENT EVENTS

The Corporation evaluated subsequent events through September 28, 2020, the issuance date of the Corporation's consolidated financial statements, and have determined that there are no subsequent events that require disclosure.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Tennessee Family Solutions, Inc.
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 Tennessee Family Solutions, Inc., (a Tennessee not-for-profit corporation), 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 September 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Tennessee Family Solutions, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tennessee Family Solutions, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Tennessee Family Solutions, Inc.'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.

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

Purpose of this Report

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

Crosslin, PLLC

Nashville, Tennessee
September 28, 2020