FAMILY AND CHILDREN'S SERVICE AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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

And Reports of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

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FAMILY AND CHILDREN'S SERVICE AND AFFILIATE
ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF

AS OF JUNE 30, 2021

Board of Directors

Marlene Eskind Moses	President
Cullen Douglass	Vice President
Don Holmes	Secretary/Treasurer
Jim Kelley	Immediate Past President
Irwin Fisher	Governance Chair
Marees Choppin	Board Member
Tracey Silverman	Board Member
Earle Simmons	Board Member
Leslee Alexander	Board Member
Laurie Atkins	Board Member
Charley Bairnsfather	Board Member
Jean Brandon	Board Member
George H. Cate III	Board Member
Amy Colton	Board Member
Jane Corcoran	Board Member
Honoree Corder	Board Member
Sarah Ann Ezzell	Board Member
Andrew Galbierz	Board Member
Edwin Green	Board Member
Paul Jones	Board Member
William Liles	Board Member
Rob McNeilly	Board Member
Tena Mayberry	Board Member
Anna Norton	Board Member
Perri duGard Owens	Board Member
Scott Pohlman	Board Member
Tony Rose, Jr.	Board Member
Alex Ryerson	Board Member
Erin Samuelson	Board Member
Alyse Sprintz	Board Member
Nancy Stabell	Board Member
John Steele	Board Member
Chad Tuck	Board Member
Jennifer Vandercook	Board Member
Joyce A. Vise	Board Member
Battle Williford	Board Member
Kaylee Wilson	Board Member
Rob Wilson	Board Member

Executive Staff

Michael McSurdy	President and CEO
Allan Leslie	Chief Financial Officer

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
Family and Children's Service and Affiliate
Nashville, Tennessee

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Family and Children's Service and Affiliate (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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 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 the consolidated 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 consolidated 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 consolidated financial position of the Organization as of June 30, 2021 and 2020, 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

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, consolidating statements of activities, and schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the consolidated financial statements as a whole.

The Roster of Board of Directors and Executive Staff on page 1, which is the responsibility of management, is of a nonaccounting nature and has not been subjected to the audit procedures applied in the audit of the consolidated financial statements. 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 December 17, 2021, 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
December 17, 2021

FAMILY AND CHILDREN'S SERVICE AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,345,126	$ 1,632,852
Restricted cash	197,465	252,721
Receivables from federal and state grants	500,456	285,096
Unconditional promises to give, current	6,975	181,650
Other receivables	242,608	198,706
Total Current Assets	2,292,630	2,551,025
Unconditional promises to give, net, noncurrent	20,024	453,496
New market tax credit note receivable	6,990,000	6,990,000
Land, building, and equipment, net	9,517,463	9,782,198
Investments	4,764,335	3,966,175
Total Assets	$ 23,584,452	$ 23,742,894
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 189,359	$ 206,722
Accrued payroll and benefits	449,967	431,862
Note payable	-	1,230,000
Deferred grant revenue	921,669	717,029
Total Current Liabilities	1,560,995	2,585,613
New market tax credit debt, less unamortized debt issuance costs	9,840,246	9,794,602
Total Liabilities	11,401,241	12,380,215
Net Assets:		
Without Donor Restrictions:		
Designated	2,213,125	2,213,125
Undesignated	9,662,690	7,777,449
Total Without Donor Restrictions	11,875,815	9,990,574
With Donor Restrictions	307,396	1,372,105
Total Net Assets	12,183,211	11,362,679
Total Liabilities and Net Assets	$ 23,584,452	$ 23,742,894

FAMILY AND CHILDREN'S SERVICE AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support from Operations:			
Federal and state grants and fees	$ 3,391,755	$ -	$ 3,391,755
Program service fees	836,423	-	836,423
Other grants	127,444	683,250	810,694
Paycheck Protection Program grant revenue	678,931	-	678,931
Contributions	296,584	27,975	324,559
Special events	155,086	-	155,086
United Way	76,648	15,000	91,648
Miscellaneous income	36,061	-	36,061
Net assets released from restrictions satisfaction of purpose restriction	1,790,934	(1,790,934)	-
Total Revenue and Other Support from Operations	7,389,866	(1,064,709)	6,325,157
Operating Expenses:			
Program services	4,617,638	-	4,617,638
Management and general	1,272,682	-	1,272,682
Fundraising	680,816	-	680,816
Total Operating Expenses	6,571,136	-	6,571,136
Change in net assets before investment activity	818,730	(1,064,709)	(245,979)
Investment Activity:			
Interest and dividends	166,398	-	166,398
Realized and unrealized gain	900,113	-	900,113
Total Investment Activity	1,066,511	-	1,066,511
Change in net assets	1,885,241	(1,064,709)	820,532
Net assets, beginning of year	9,990,574	1,372,105	11,362,679
Net assets, end of year	$ 11,875,815	$ 307,396	$ 12,183,211

FAMILY AND CHILDREN'S SERVICE AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support from Operations:			
Federal and state grants and fees	$ 2,562,585	$ -	$ 2,562,585
Contributions	422,057	125,000	547,057
Program service fees	974,102	-	974,102
Other grants	108,309	604,783	713,092
United Way	-	23,953	23,953
Paycheck Protection Program grant revenue	85,469	-	85,469
Special events	274,237	-	274,237
Miscellaneous income	1,678	-	1,678
Net assets released from restrictions satisfaction of purpose restriction	1,243,023	(1,243,023)	-
Total Revenue and Other Support from Operations	5,671,460	(489,287)	5,182,173
Operating Expenses:			
Program services	4,190,504	-	4,190,504
Management and general	1,409,063	-	1,409,063
Fundraising	602,629	-	602,629
Total Operating Expenses	6,202,196	-	6,202,196
Change in net assets before investment activity	(530,736)	(489,287)	(1,020,023)
Investment Activity:			
Interest and dividends	173,302	-	173,302
Realized and unrealized gain	71,598	-	71,598
Total Investment Activity	244,900	-	244,900
Change in net assets	(285,836)	(489,287)	(775,123)
Net assets, beginning of year	10,276,410	1,861,392	12,137,802
Net assets, end of year	$ 9,990,574	$ 1,372,105	$ 11,362,679

FAMILY AND CHILDREN'S SERVICE AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

		Support Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 3,010,592	$ 815,063	$ 308,033	$ 1,123,096	$ 4,133,688
Professional fees	233,855	60,334	234,272	294,606	528,461
Employee benefits	278,381	23,910	14,346	38,256	316,637
Payroll taxes	254,077	35,951	25,125	61,076	315,153
Financial aid	282,291	-	-	-	282,291
Depreciation	193,258	47,651	23,826	71,477	264,735
Interest expense	-	144,388	-	144,388	144,388
Miscellaneous	108,498	15,267	15,286	30,553	139,051
Equipment and building expense	36,569	63,267	16,122	79,389	115,958
Occupancy	78,740	13,126	8,299	21,425	100,165
Telephone	50,221	10,141	9,937	20,078	70,299
Insurance	49,304	5,203	3,359	8,562	57,866
Supplies	17,733	22,607	4,195	26,802	44,535
Printing and publications	3,851	1,075	11,931	13,006	16,857
Travel	13,890	518	44	562	14,452
Organizational dues	1,410	7,696	4,882	12,578	13,988
Conferences and meetings	2,214	6,336	300	6,636	8,850
Postage	2,754	149	729	878	3,632
In-kind	-	-	130	130	130
	$ 4,617,638	$ 1,272,682	$ 680,816	$ 1,953,498	$ 6,571,136

FAMILY AND CHILDREN'S SERVICE AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

		Support Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 2,602,689	$ 724,301	$ 234,977	$ 959,278	$ 3,561,967
Professional fees	441,918	87,187	17,283	104,470	546,388
Employee benefits	229,770	47,963	19,901	67,864	297,634
Payroll taxes	216,142	62,681	18,732	81,413	297,555
Depreciation	183,579	45,266	22,633	67,899	251,478
Bad debt expense	-	-	200,000	200,000	200,000
Interest expense	-	222,806	-	222,806	222,806
Equipment and building expense	49,743	116,059	7,982	124,041	173,784
Financial aid	137,803	873	375	1,248	139,051
Occupancy	71,412	33,833	6,168	40,001	111,413
Travel	100,246	1,901	2,290	4,191	104,437
Supplies	37,255	28,486	8,555	37,041	74,296
Telephone	47,927	10,843	5,117	15,960	63,887
Miscellaneous	19,128	5,930	32,055	37,985	57,113
Insurance	37,545	5,939	2,608	8,547	46,092
Printing and publications	5,754	886	14,786	15,672	21,426
Organizational dues	1,963	12,843	6,350	19,193	21,156
Conferences and meetings	5,831	1,155	753	1,908	7,739
Postage	1,799	111	2,064	2,175	3,974
	$ 4,190,504	$ 1,409,063	$ 602,629	$ 2,011,692	$ 6,202,196

FAMILY AND CHILDREN'S SERVICE AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 820,532	$ (775,123)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Contributions restricted for long-term purposes	-	(125,000)
Donated equipment	-	(19,141)
Depreciation	264,735	251,478
Amortization of loan costs	45,644	45,644
Unrealized and realized gain on investments	(900,113)	(71,598)
Changes in operating assets and liabilities:		
Receivables from federal and state grants	(215,360)	25,405
Unconditional promises to give	606,186	416,951
Other receivables	(43,902)	80,932
Accounts payable	(17,363)	(15,537)
Accrued payroll and benefits	18,105	41,471
Deferred grant revenue	204,640	717,029
Net cash flows from operating activities	783,104	572,511
Cash flows from investing activities:		
Proceeds from sale of investments	198,390	203,484
Purchase of investments	(96,437)	(103,097)
Purchase of building and equipment	-	(111,215)
Net cash flows from investing activities	101,953	(10,828)
Cash flows from financing activities:		
Payments on note payable	(1,230,000)	(200,000)
Proceeds restricted for long-term purposes	1,961	283,230
Net cash flows from financing activities	(1,228,039)	83,230
Change in cash and cash equivalents	(342,982)	644,913
Cash and cash equivalents, beginning of year	1,885,573	1,240,660
Cash and cash equivalents, end of year	$ 1,542,591	$ 1,885,573
Cash and cash equivalents consist of the following:		
Cash and cash equivalents	$ 1,345,126	$ 1,632,852
Restricted cash	197,465	252,721
	$ 1,542,591	$ 1,885,573
Supplemental disclosure of cash flow information:		
Interest paid	$ 98,744	$ 177,162
Noncash investing and financing activities:		
Donated equipment	$ -	$ 19,141

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

Nature of Activity – The purpose of Family and Children's Service ("FCS") is to make best-practice mental and physical health care accessible to all that need it to enable children and families to lead healthier, more fulfilling, and productive lives. This is accomplished through 24-hour telephone crisis counseling, trauma counseling for child and adult victims of violence, attachment counseling to help foster and adoptive children and families form secure loving relationships, healthcare support, and family and individual counseling for addiction, depression, marriage, and relationship issues. FCS serves various regions throughout the state of Tennessee.

FCS established the FCS New Market Landlord, Inc. ("FCS New Market") on November 2, 2017, solely to support the charitable purposes, mission, goals, and activities of FCS, its sole member. As such, FCS New Market's activities include constructing FCS's new headquarters and servicing certain notes payable for the benefit of FCS (see Note 10).

Principles of Consolidation – The financial statements of FCS and FCS New Market (collectively referred to hereafter as the "Organization") have been consolidated due to the presence of common control and economic interest as required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant inter-entity balances and transactions have been eliminated in consolidation.

Financial Statement Presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP, as 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:

Undesignated – Net assets that are not subject to donor-imposed stipulations or designated by the Organization's Board of Directors ("Board").

Designated – Net assets designated by the Organization's Board for particular purposes, presently designated by the Board for endowment.

Net Assets With Donor Restrictions – Net assets that are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions 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. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no net assets with donor restrictions perpetual in nature as of June 30, 2021 and 2020.

Cash and Cash Equivalents and Restricted Cash – The Organization considers all highly liquid investments with an original maturity when purchased of three months or less to be cash equivalents.

Contributions – Contributions are recognized when a donor makes an unconditional promise to give to the Organization. Contributions that are restricted are reported as increases in net assets with donor restrictions. All other contributions are reported as increases in net assets without donor restrictions. 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.

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

Unconditional Promises to Give – Unconditional promises to give that are expected to be collected in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of estimated future cash flows. The discounts on promises to give are computed using a rate commensurate with the risk of the promise to give in accordance with U.S. GAAP. Amortization of the discount is included in contribution revenue in the consolidated statements of activities. Management considers all unconditional promises to give as of June 30, 2021 to be fully collectible and $200,000 to be uncollectible as of June 30, 2020. Accordingly, an allowance for doubtful accounts of $-0- and $200,000 has been recorded as of June 30, 2021 and 2020, respectively, in the accompanying consolidated statements of financial position.

Land, Building, and Equipment – It is the Organization's policy to capitalize land, building, and equipment with cost in excess of $5,000. All purchases less than that amount are expensed in the period purchased. Donated land, building, and equipment are reported as contributions at their estimated fair value at the date of donation. Unless donor-restricted, all donated land, building, and equipment are reported as increases in net assets without donor restrictions. Building and equipment are depreciated over their estimated useful lives using the straight-line method. Useful lives range from three years for computer equipment to forty years for a building.

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 statement of financial position. Investment income and realized and unrealized gains and losses are reported as changes in net assets without donor restrictions unless the use of income has been restricted by the donor. See Note 5 for additional information on fair value measurements.

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 – FCS and FCS New Market are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made. Management believes that the Organization continues to satisfy the requirements of a tax-exempt organization as of June 30, 2021.

It is the Organization's policy to account for any uncertainties in income tax law in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 74-10, *Accounting for Uncertainty in Income Taxes.* Management has evaluated the Organization's tax positions and concluded that the Organization has maintained its tax-exempt status and has taken no uncertain tax positions that require adjustment to the consolidated financial statements. As a result, no provision or liability for income taxes has been included in the consolidated financial statements.

Functional Allocation of Expenses – The costs of providing programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among program and support services based on estimated time and effort. The remaining unallocated expenses are charged directly to a specific function based on the nature of the expense.

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

Recently Adopted Accounting Pronouncement – In May 2014, FASB issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The organization adopted the provisions of ASU 2014-09 and the related ASUs ("ASC 606") as of July 1, 2020 using a modified retrospective approach, which resulted in no cumulative effect adjustment to net assets as of July 1, 2020. There was no change in the timing and amount of revenue recognition as a result of the adoption of ASC 606. Certain categories of revenue are not encompassed within the scope of the new ASU including contributions and grants revenue. See Note 2 for additional information related to revenue recognition.

Reclassifications – Certain reclassifications have been made to the 2020 financial statements to conform with the 2021 presentation.

Subsequent Events – The Organization evaluated subsequent events through December 17, 2021, when these financial statements were available to be issued.

Note 2—Revenue

As described in Note 1, the Organization accounts for revenue 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.

Performance Obligations – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each district performance obligation and is recognized as revenue when, or as, each performance obligation is satisfied. The Organization's revenue within the scope of ASC 606 consists primarily of revenue from language interpretation services, counseling, health services assistance, and food distribution and management. The contract performance obligation for these activities is generally satisfied at the time the services are provided.

Accounts Receivable – Accounts receivable relating to language interpretation services, counseling, health services assistance, and food distribution and management services totaled $242,608 and $198,706 at June 30, 2021 and 2020, respectively.

Disaggregation of Revenue – See the consolidated statements of activities for the years ended June 30, 2021 and 2020.

Note 3—Liquidity

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 to provide crisis counseling, trauma counseling for child and adult victims of violence, and attachment counseling as well as conduct of services undertaken to support those activities to be general expenditures.

Note 3—Liquidity (continued)

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following at June 30:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	$ 1,345,126	$ 1,632,852
Receivables from federal and state grants	500,456	285,096
Unconditional promises to give, net	26,999	635,146
Other receivables	242,608	198,706
Investments	4,764,335	3,966,175
Total financial assets	6,879,524	6,717,975
Less amounts not available to be used for general expenditures within one year:		
Board designations	2,213,125	2,213,125
Purpose and time restrictions	307,396	1,372,105
Financial assets not available to be used within one year	2,520,521	3,585,230
Financial assets available to meet general expenditures within one year	$ 4,359,003	$ 3,132,745

The Organization's management monitors its liquidity so that it is able to cover operating expenses. The Organization is substantially supported by grants. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. Designations of net assets are self-imposed limitations which may be reversed by action of the Board should the need arise to cover operating expenses. Further, the Organization has two lines of credit as of June 30, 2021 (see Note 7).

Note 4—Unconditional promises to give

Unconditional promises to give are due as follows as of June 30:

	2021	2020
Receivable in less than one year	$ 6,975	$ 181,650
Receivable in one to five years	21,000	727,480
	27,975	909,130
Less allowance for doubtful accounts	-	(200,000)
Less unamortized discount	(976)	(73,984)
	$ 26,999	$ 635,146

Note 5—Investments and fair value measurements

U.S. GAAP establishes a framework for measuring fair value for financial assets and financial liabilities. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2021 and 2020.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. 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 fair value measurement at the reporting date.

Note 5—Investments and fair value measurements (continued)

The following table sets forth the Organization's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Equity funds	$ 3,116,673	$ -	$ -	$ 3,116,673
Bond funds	1,647,392	-	-	1,647,392
Money market funds	270	-	-	270
	$ 4,764,335	$ -	$ -	$ 4,764,335

The following table sets forth the Organization's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Equity funds	$ 2,577,835	$ -	$ -	$ 2,577,835
Bond funds	1,382,854	-	-	1,382,854
Money market funds	5,486	-	-	5,486
	$ 3,966,175	$ -	$ -	$ 3,966,175

Note 6—Land, building, and equipment

Land, building, and equipment consist of the following at June 30:

	2021	2020
Land	$ 1,220,000	$ 1,220,000
Building	8,589,200	8,589,200
Equipment	283,209	283,209
	10,092,409	10,092,409
Less accumulated depreciation	(574,946.00)	(310,211)
	$ 9,517,463	$ 9,782,198

Depreciation expense for the years ended June 30, 2021 and 2020 was $264,735 and $251,478, respectively.

Note 7—Lines of credit

The Organization has a $300,000 line of credit available with a financial institution that expires January 25, 2028. The line of credit bears interest at a rate based upon the financial institution's index (3.25% at June 30, 2021) and is secured by certain business assets. No borrowings were outstanding at June 30, 2021 and 2020.

Effective February 11, 2021, the Organization obtained an additional revolving line of credit in the amount of $1,000,000. The line of credit bears interest at 3.75%, matures February 11, 2023, and is secured by certain investment balances.

Note 8—Note payable

During December 2017, the Organization borrowed $1,951,785 from a financial institution to serve as a bridge loan to finance a portion of its investment in the New Market Tax Credit ("NMTC") transaction (see Note 10). The note required monthly interest only payments at a rate of 3.8% plus principal payments due semi-annually, scheduled to mature December 2020, and was secured by the Organization's deposits and investments maintained by the lender. This note was paid off with borrowings from another commercial lender as described in the following paragraph.

During January 2018, the Organization borrowed $2,000,000 from a commercial lender to pay off the note payable described in the previous paragraph. This note payable had a maturity date of November 1, 2023 and required monthly interest only payments at a rate of 3.5%. The note payable was secured by the Organization's investments. This note was paid in full during January 2021. The balance due at June 30, 2021 and 2020 totaled $-0- and $1,230,000, respectively.

Note 9—Deferred grant revenue

The Organization received a Paycheck Protection Program ("PPP") loan in the amount of $764,400. The PPP loan is granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act ("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. This loan was forgiven in April 2021. The Organization recognized grant revenue in the amount of $678,931 and $85,469, which is included on the consolidated statements of activities for the years ended June 30, 2021 and 2020, respectively.

The Organization received a second PPP loan in March 2021, in the amount of $921,669 and recorded it as deferred grant revenue on the consolidated statement of financial position as of June 30, 2021.

Note 10—New Market Tax Credit agreement

During December 2017, the Organization entered into a NMTC agreement to assist with the construction of its new headquarters. The Organization will realize a projected benefit in positive cash flow from federal incentives totaling approximately $2,400,000 (unaudited) for the NMTC financing transaction. All loans originated in the NMTC financing transactions are secured by substantially all assets (excluding investments) and revenues of the Organization whether owned as of the date of the agreement or thereafter.

In December 2017, FCS New Market entered into two debt agreements to borrow $10,000,000 from Partnerships of Hope XV, LLC (a "community development financial institution"). The notes require quarterly payments of interest only at 1.13% per annum until December 2024. Thereafter, annual principal and interest payments totaling approximately $494,000 per annum are due until December 2047. Financing fees deferred related to the notes totaled approximately $319,500 with approximately $46,000 amortized during each of the years ended June 30, 2021 and 2020, which is included as a component of interest expense. The notes contain certain nonfinancial covenants which require management's representations that the loans will qualify as a "qualified low-income community investment" based on the ongoing activities of the Organization and its continuing mission.

Note 10—New Market Tax Credit agreement (continued)

Furthermore, FCS provided a loan of $6,990,000 to FCS Investment Fund, LLC. The loan is evidenced by a promissory note receivable from FCS Investment Fund, LLC, accruing interest at 1.00% per annum, and requiring quarterly interest only payments until December 2024 at which point the loan will begin to amortize on a straight-line basis through maturity in December 2047.

As part of this transaction FCS New Market is required to maintain a segregated loan reserve fund for payment of the servicing fee in compliance with the note payable. The initial deposit was $387,500 and will cover annual payments totaling approximately $42,000. FCS New Market will continue making such expense reimbursements even after the funds in the reserve account have been fully disbursed. The amount of restricted cash as of June 30, 2021 and 2020 totaled approximately $197,000 and $252,000, respectively.

In December 2024, the bank that owns the unaffiliated investment structure may put its interest in the investments structure to FCS New Market for a put price of $1,000. If the bank does not exercise its put right, FCS New Market may call the bank's interest in the investment structure for a call price equal to the fair value of the investment. Exercise of the put or the call will provide FCS New Market with ownership of the investment structure.

Note 11—Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2021	2020
Capital campaign contributions	$ -	$ 992,860
Restricted for future years	279,421	379,245
Pledges - timing restriction	27,975	-
	$ 307,396	$ 1,372,105

Net assets were released from donor restrictions during 2021 and 2020 by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2021	2020
Purpose restrictions accomplished:		
Capital campaign for The Honey Alexander Center	$ 992,860	$ 423,403
Restricted for future years	705,374	483,565
COVID-19	40,000	-
Crisis ContactCenter	45,000	150,000
Davidson County Relative Caregiver Program	-	175,000
Other programs	7,700	11,055
	$ 1,790,934	$ 1,243,023

Note 12—Board-designated net assets

As of June 30, 2021 and 2020, net assets totaling $2,213,125 are designated by the Board for the general endowment. The interest earned on designated for endowment net assets is available to the Organization on an unrestricted basis.

Note 12—Board-designated net assets (continued)

The Organization's endowment consists of Board-designated funds held in investment accounts. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions and Board designations.

Endowment net asset composition by type of fund as of June 30, 2021 and 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 2,213,125	$ -	$ 2,213,125

Endowment Investment Policy and Risk Parameters – The Organization follows investment and spending policies for endowment assets that attempt to supplement annual operating expenses, while allowing sufficient long-term growth to meet future capital and budgetary requirements. Endowment assets include funds designated by the Board. Prohibited investments include non-liquid securities, private placements, and futures (except for hedging purposes). The use of leverage for investment purposes is expressly prohibited.

Strategies Employed for Achieving Investment Objectives – To satisfy its long-term rate of return objectives, the Organization relies on a targeted mix of investments as follows: 0% to 10% cash and cash equivalents; 20% to 50% fixed income; 40% to 70% equities; 0% to 20% other securities.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Organization has a policy of appropriating monthly up to 5% of the average of the most recent 36 monthly investment balances, updated quarterly.

Note 13—Concentrations

The Organization's cash account balances for the years ended June 30, 2021 and 2020, exceeded Federal Deposit Insurance Corporation insurance limits by approximately $788,000 and $672,000, respectively. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

The Organization receives a substantial amount of its revenue from federal and state grants and the United Way. A significant reduction in the amount received from these sources could have an adverse effect on the operations of the Organization.

As of June 30, 2020, approximately 88% of unconditional promises to give were due from two donors.

For the year ended June 30, 2020, contributions from two donors made up approximately 20% of total contribution and other grant revenue.

Note 14—Affiliation agreement

Effective July 1, 2016 the Organization entered into an affiliation agreement with CASA, Inc., wherein the Organization provided operational and financial management services to CASA, Inc. as detailed in the agreement. The agreement was renewed July 1, 2017 and automatically renewed annually unless terminated by either party. During the year ended June 30, 2020, the Organization and CASA, Inc. negotiated to terminate this agreement with the provision of services ending December 31, 2020, and CASA, Inc. to pay the balance owed in full within an agreed upon period of time. As of June 30, 2021 and 2020, CASA, Inc. owed the Organization $-0- and $151,448, respectively, and this amount is included in other receivables on the consolidated statements of financial position.

Note 15—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.

SUPPLEMENTARY INFORMATION

FAMILY AND CHILDREN'S SERVICE AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

	FCS	FCS New Market	Eliminations	Consolidated Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 1,345,126	$ -	$ -	$ 1,345,126
Restricted cash	-	197,465	-	197,465
Receivables from federal and state grants	500,456	-	-	500,456
Unconditional promises to give, current	6,975	-	-	6,975
Other receivables	242,608	110,833	(110,833)	242,608
Total Current Assets	2,095,165	308,298	(110,833)	2,292,630
Unconditional promises to give, net, noncurrent	20,024	-	-	20,024
New market tax credit note receivable	6,990,000	-	-	6,990,000
Land, building, and equipment, net	31,504	9,485,959	-	9,517,463
Investments	4,764,335	-	-	4,764,335
Total Assets	$ 13,901,028	$ 9,794,257	$ (110,833)	$ 23,584,452
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	$ 168,601	$ 131,591	$ (110,833)	$ 189,359
Accrued payroll and benefits	449,967	-	-	449,967
Deferred grant revenue	921,669	-	-	921,669
Total Current Liabilities	1,540,237	131,591	(110,833)	1,560,995
New market tax credit debt, less unamortized debt issuance costs	-	9,840,246	-	9,840,246
Total Liabilities	1,540,237	9,971,837	(110,833)	11,401,241
Net Assets:				
Without Donor Restrictions:				
Designated	2,213,125	-	-	2,213,125
Undesignated	9,840,270	(177,580)	-	9,662,690
Total Without Donor Restrictions	12,053,395	(177,580)	-	11,875,815
With Donor Restrictions	307,396	-	-	307,396
Total Net Assets	12,360,791	(177,580)	-	12,183,211
Total Liabilities and Net Assets	$ 13,901,028	$ 9,794,257	$ (110,833)	$ 23,584,452

FAMILY AND CHILDREN'S SERVICE AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

	FCS	FCS New Market	Eliminations	Consolidated Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 1,582,552	$ 50,300	$ -	$ 1,632,852
Restricted cash	-	252,721	-	252,721
Receivables from federal and state grants	285,096	-	-	285,096
Unconditional promises to give, current	181,650	-	-	181,650
Other receivables	198,706	40,833	(40,833)	198,706
Total Current Assets	2,248,004	343,854	(40,833)	2,551,025
Unconditional promises to give, net, noncurrent	453,496	-	-	453,496
New market tax credit note receivable	6,990,000	-	-	6,990,000
Land, building, and equipment, net	74,817	9,707,381	-	9,782,198
Investments	3,966,175	-	-	3,966,175
Total Assets	$ 13,732,492	$ 10,051,235	$ (40,833)	$ 23,742,894
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	$ 115,964	$ 131,591	$ (40,833)	$ 206,722
Accrued payroll and benefits	431,862	-	-	431,862
Note payable	1,230,000	-	-	1,230,000
Deferred grant revenue	717,029	-	-	717,029
Total Current Liabilities	2,494,855	131,591	(40,833)	2,585,613
New market tax credit debt, less unamortized debt issuance costs	-	9,794,602	-	9,794,602
Total Liabilities	2,494,855	9,926,193	(40,833)	12,380,215
Net Assets:				
Without Donor Restrictions:				
Designated	2,213,125	-	-	2,213,125
Undesignated	7,652,407	125,042	-	7,777,449
Total Without Donor Restrictions	9,865,532	125,042	-	9,990,574
With Donor Restrictions	1,372,105	-	-	1,372,105
Total Net Assets	11,237,637	125,042	-	11,362,679
Total Liabilities and Net Assets	$ 13,732,492	$ 10,051,235	$ (40,833)	$ 23,742,894

FAMILY AND CHILDREN'S SERVICE AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Family and Children's Service			FCS New Market				
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Consolidated Total
Revenue and Other Support from Operations:								
Federal and state grants and fees	$ 3,391,755	$ -	$ 3,391,755	$ -	$ -	$ -	$ -	$ 3,391,755
Program service fees	836,423	-	836,423	-	-	-	-	836,423
Other grants	127,444	683,250	810,694	-	-	-	-	810,694
Paycheck Protection Program grant revenue	678,931	-	678,931	-	-	-	-	678,931
Contributions	296,584	27,975	324,559	-	-	-	-	324,559
Special events	155,086	-	155,086	-	-	-	-	155,086
United Way	76,648	15,000	91,648	-	-	-	-	91,648
Miscellaneous income	35,917	-	35,917	70,144	-	70,144	(70,000)	36,061
Inter-entity transfers	(164,304)	-	(164,304)	164,304	-	164,304	-	-
Net assets released from restrictions satisfaction of purpose restriction	1,790,934	(1,790,934)	-	-	-	-	-	-
Total Revenue and Other Support from Operations	7,225,418	(1,064,709)	6,160,709	234,448	-	234,448	(70,000)	6,325,157
Operating Expenses:								
Program services	4,360,488	-	4,360,488	257,150	-	257,150	-	4,617,638
Management and general	1,086,577	-	1,086,577	256,105	-	256,105	(70,000)	1,272,682
Fundraising	656,990	-	656,990	23,826	-	23,826	-	680,816
Total Operating Expenses	6,104,055	-	6,104,055	537,081	-	537,081	(70,000)	6,571,136
Change in net assets before investment activity	1,121,363	(1,064,709)	56,654	(302,633)	-	(302,633)	-	(245,979)
Investment Activity:								
Interest and dividends	166,387	-	166,387	11	-	11	-	166,398
Realized and unrealized gain	900,113	-	900,113	-	-	-	-	900,113
Total Investment Activity	1,066,500	-	1,066,500	11	-	11	-	1,066,511
Change in net assets	2,187,863	(1,064,709)	1,123,154	(302,622)	-	(302,622)	-	820,532
Net assets, beginning of year	9,865,532	1,372,105	11,237,637	125,042	-	125,042	-	11,362,679
Net assets, end of year	$ 12,053,395	$ 307,396	$ 12,360,791	$ (177,580)	$ -	$ (177,580)	$ -	$ 12,183,211

FAMILY AND CHILDREN'S SERVICE AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Family and Children's Service			FCS New Market				
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Consolidated Total
Revenue and Other Support from Operations:								
Federal and state grants and fees	$ 2,562,585	$ -	$ 2,562,585	$ -	$ -	$ -	$ -	$ 2,562,585
Contributions	422,057	125,000	547,057	-	-	-	-	547,057
Program service fees	974,102	-	974,102	-	-	-	-	974,102
Other grants	108,309	604,783	713,092	-	-	-	-	713,092
United Way	-	23,953	23,953	-	-	-	-	23,953
Special events	274,237	-	274,237	-	-	-	-	274,237
Paycheck Protection Program grant revenue	85,469	-	85,469	-	-	-	-	85,469
Miscellaneous income	1,286	-	1,286	70,392	-	70,392	(70,000)	1,678
Inter-entity transfers	(98,359)	-	(98,359)	98,359	-	98,359	-	-
Net assets released from restrictions satisfaction of purpose restriction	1,243,023	(1,243,023)	-	-	-	-	-	-
Total Revenue and Other Support from Operations	5,572,709	(489,287)	5,083,422	168,751	-	168,751	(70,000)	5,182,173
Operating Expenses:								
Program services	3,994,425	-	3,994,425	196,079	-	196,079	-	4,190,504
Management and general	1,193,738	-	1,193,738	285,325	-	285,325	(70,000)	1,409,063
Fundraising	579,996	-	579,996	22,633	-	22,633	-	602,629
Total Operating Expenses	5,768,159	-	5,768,159	504,037	-	504,037	(70,000)	6,202,196
Change in net assets before investment activity	(195,450)	(489,287)	(684,737)	(335,286)	-	(335,286)	-	(1,020,023)
Investment Activity:								
Interest and dividends	173,041	-	173,041	261	-	261	-	173,302
Realized and unrealized gain	71,598	-	71,598	-	-	-	-	71,598
Total Investment Activity	244,639	-	244,639	261	-	261	-	244,900
Change in net assets	49,189	(489,287)	(440,098)	(335,025)	-	(335,025)	-	(775,123)
Net assets, beginning of year	9,816,343	1,861,392	11,677,735	460,067	-	460,067	-	12,137,802
Net assets, end of year	$ 9,865,532	$ 1,372,105	$ 11,237,637	$ 125,042	$ -	$ 125,042	$ -	$ 11,362,679

COMPLIANCE INFORMATION

FAMILY AND CHILDREN'S SERVICE AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor	Program Name	Federal Assistance Listing Number	Contract Number		Expenditures
FEDERAL AWARDS					
U.S. Department of Health and Human Services	Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces	93.332	1NAVCA190350-01-00	$	428,093
U.S. Department of Health and Human Services	Children's Health Insurance Program Reauthorization Act	93.767	1Y1CMS331692-01-00		552,372
U.S. Department of Health and Human Services Passed Through:					
TN Dept. of Health and Human Services	Community Based Two Generation Services	93.558	34530-74321		235,431
TN Dept. of Health and Human Services	Family Focused Solutions	93.558	34530-40320		820,728
Total Federal Assistance Listing Number 93.558					1,056,159
TN Dept. of Mental Health and Substance Abuse Services	Tennessee Prevention Network	93.959	DGA 62140_2019-2020_006		21,858
TN Commission on Aging and Disability	Medicare Enrollment Assistance	93.071	31602-18024		49,333
TN Commission on Aging and Disability	State Health Insurance Program	93.324	31602-19048		70,190
TN Dept. of Children's Services	Child Abuse Prevention	93.590	35910-02844		3,968
TN Dept. of Children's Services	Relative Caregiver Program	93.471	35910-01891		119,455
Total U.S. Department of Health and Human Services					2,301,428
U.S. Department of Justice	Enhancing Community Responses to the Opioid Crisis: Serving Our Youngest Crime Victims	16.582	2019-V3-GX-0035		251,123
U.S. Department of Justice Passed Through:					
TN Dept. of Finance and Administration Office of Criminal Justice	Domestic Violence and Trauma	16.575	2015-VA-GX-0018		194,000
TN Commission on Children and Youth	Clinical Case Management	16.540	31601-DP02-19		4,202
Total U.S. Department of Justice					449,325
Total Federal Awards					2,750,753

FAMILY AND CHILDREN'S SERVICE AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor	Program Name	Federal Assistance Listing Number	Contract Number		Expenditures
STATE AWARDS					
TN Dept. of Finance and Administration	Access TN	n/a	31865-00458-05	$	41,639
TN Dept. of Finance and Administration	Access TN	n/a	31865-00458-06		40,956
TN Dept. of Children's Services	Relative Caregiver Program	93.471	35910-01891		464,883
TN Dept. of Children's Services	Child Abuse Prevention	93.590	35910-02844		9,524
TN Dept. of Children's Services	Adverse Childhood Experiences Initiative	n/a	35910-58689		73,366
Total State Awards					630,368
Total Federal and State Awards				$	3,381,121

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state award activity of Family and Children's Service and Affiliate (the "Organization") under programs of federal and state governments for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2—Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization did not expend any federal awards during the year ended June 30, 2021 in the form of noncash assistance.

Note 3—Indirect cost rate

The Organization expended indirect costs using a multiple allocation base method and did not elect to use the 10% de minimis cost rate allowed under the Uniform Guidance.

Note 4—Subrecipients

The Organization did not have expenditures to subrecipients during the fiscal year.

Note 5—Contingencies

These programs are subject to financial and compliance audits by grantor agencies. 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.

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
Family and Children's Service and Affiliate
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 Family and Children's Service and Affiliate (the "Organization") (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 17, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's 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 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 17, 2021

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Family and Children's Service and Affiliate
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Family and Children's Service and Affiliate's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

Cherry Bekaert LLP

Nashville, Tennessee
December 17, 2021

FAMILY AND CHILDREN'S SERVICE AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

Section I – Summary of Audit Results

Financial Statement Section

Type of auditor's report issued on whether financial statements were prepared in accordance with U.S. GAAP:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	x	No
Significant deficiency(ies) identified		Yes	x	None Reported
Noncompliance material to financial statements noted		Yes	x	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	x	No
Significant deficiency(ies) identified		Yes	x	None Reported
Type of auditor's report on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes	x	No

Identification of Major Programs

Name of Federal Program or Cluster	Federal Assistance Listing Number(s)
Community Based Two Generation Services	93.558
Family Focused Solutions	93.558
Children's Health Insurance Program Reauthorization Act	93.767

Dollar threshold used to distinguish between type A and type B programs	$ 750,000				
Auditee qualified as low-risk auditee?			Yes	x	No

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no findings required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Awards

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major programs, as required to be reported by 2 CFR 200.516(a).

There were no findings required to be reported in accordance with 2 CFR 200.516(a).

Finding 2020-001 – Material Weakness over Financial Reporting and Close

Finding: During the audit, the independent auditor proposed material adjustments necessary to properly record transactions for FCS New Market and properly recognize contributions with donor restrictions. These entries included adjustments to record 1) approximately $430,000 entry to properly record FCS New Market transactions and 2) approximately $195,000 of contributions with donor restrictions. Additionally, timely financial reporting and close was not completed.

Status: The finding was corrected in the 2021 fiscal year.

Finding 2020-002 – Significant Deficiency over Preparation of the Schedule of Expenditures of Federal Awards ("SEFA")

Finding: During the audit, significant corrections were needed to properly state the total amount of expenditures on the SEFA.

Status: The finding was corrected in the 2021 fiscal year.

Finding 2020-003 – Material Weakness and Nonmaterial Noncompliance in Internal Control over Allowable Costs and Reporting for the Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces Program

Finding: During the audit, 40 grant disbursements were selected for testing. One exception was noted that totaled approximately $60 in unallowable costs. Additionally, four financial reports were selected for testing. One required financial report was not submitted timely and four financial reports were not reviewed prior to submission.

Status: The finding was corrected in the 2021 fiscal year.

Finding 2020-004 – Material Weakness in Internal Control and Material Noncompliance over Reporting for the Children's Health Insurance Program Reauthorization Act

Finding: During the audit, four financial reports and four program reports were selected for testing. Two required financial reports were not submitted timely and four financial reports were not reviewed prior to submission. Additionally, there were three program reports that were not reviewed prior to submission.

Status: The finding was corrected in the 2021 fiscal year.