

NASHVILLE CARES

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

AND
INDEPENDENT AUDITORS' REPORTS

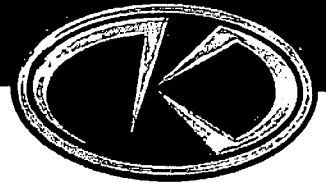
JUNE 30, 2009

NASHVILLE CARES
NASHVILLE, TENNESSEE
FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Nashville CARES
Nashville, Tennessee

We have audited the accompanying statements of financial position of Nashville CARES (the "Agency"), a Tennessee not-for-profit corporation, as of June 30, 2009 and 2008, the related statements of activities and functional expenses for the year ended June 30, 2009, and the statements of cash flows for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information in the statements of activities and functional expenses have been derived from the Agency's June 30, 2008 financial statements and, in our report dated January 8, 2009, we expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville CARES as of June 30, 2009 and 2008, the changes in its net assets for the year ended June 30, 2009, and its cash flows for the years ended June 30, 2009 and 2008, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2009, on our consideration of Nashville CARES' 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 to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Nashville CARES taken as a whole. The accompanying schedule of expenditures of federal awards, on pages 16 - 17, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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Nashville, Tennessee
December 3, 2009

NASHVILLE CARES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 67,370	\$ 26,354
Accounts receivable	24,733	14,068
Grants receivable - Note 2	1,519,244	1,745,492
Contributions receivable - Note 3:		
United Way	129,378	141,737
HCA Caring for the Community	11,570	9,620
Other workplace campaign	6,067	4,466
Anniversary campaign	-	11,050
Major gifts receivable	2,325	2,050
Special events receivable	2,950	19,650
Other	37,355	37,413
Prepaid expenses and other	40,323	23,983
Property and equipment - net - Note 4	1,370,739	1,401,974
Cash - building fund	1,568	1,553
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - Note 8	12,600	16,916
TOTAL ASSETS	\$ 3,226,222	\$ 3,456,326
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Checks issued in excess of deposits	\$ 402,801	\$ 468,384
Accounts payable	22,795	272,856
Accrued payroll and compensated absences	69,196	71,407
Deferred revenue	3,253	-
Line of credit - Note 9	455,252	389,151
Note payable - Note 9	874,469	936,863
TOTAL LIABILITIES	1,827,766	2,138,661
<u>NET ASSETS</u>		
Unrestricted:		
Undesignated	700,719	609,609
Designated for property and equipment, less related debt	496,270	465,111
Designated for beneficial interest in agency endowment fund - Note 8	12,600	16,916
Total unrestricted	1,209,589	1,091,636
Temporarily restricted - Note 7	188,867	226,029
TOTAL NET ASSETS	1,398,456	1,317,665
TOTAL LIABILITIES AND NET ASSETS	\$ 3,226,222	\$ 3,456,326

See accompanying notes to financial statements.

NASHVILLE CARES
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009, WITH COMPARATIVE SUMMARIZED INFORMATION FOR 2008

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>	
			<u>2009</u>	<u>2008</u>
PUBLIC SUPPORT AND REVENUE				
Public Support:				
Individual gifts	\$ 21,641	\$ -	\$ 21,641	\$ 25,355
Major gifts	118,976	6,375	125,351	61,998
United Way designations	-	25,128	25,128	57,551
HCA Caring for the Community designations	-	18,956	18,956	18,552
Other workplace campaign designations	5,773	7,561	13,334	20,446
Religious gifts	14,334	4,000	18,334	18,057
Building fund contributions	2,000	-	2,000	7,079
United Way allocations	83	-	83	5,455
Special events	338,883	5,500	344,383	374,220
Government grants	12,858,591	-	12,858,591	8,826,019
Foundation and corporate grants	92,555	159,966	252,521	287,377
	<u>13,452,836</u>	<u>227,486</u>	<u>13,680,322</u>	<u>9,702,109</u>
Total Public Support				
	13,452,836	227,486	13,680,322	9,702,109
Investment income	1,698	-	1,698	5,046
Other revenue	63,567	-	63,567	57,758
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - Note 8	(3,516)	-	(3,516)	(367)
Loss on disposal of assets	(1,645)	-	(1,645)	(1,535)
Net assets released resulting from satisfaction of donor restrictions	264,648	(264,648)	-	-
	<u>13,777,588</u>	<u>(37,162)</u>	<u>13,740,426</u>	<u>9,763,011</u>
TOTAL PUBLIC SUPPORT AND REVENUE				
	13,777,588	(37,162)	13,740,426	9,763,011
EXPENSES				
Program Services:				
Case management services	1,106,529	-	1,106,529	1,100,899
Emotional and practical support services	826,626	-	826,626	696,433
Educational services	603,719	-	603,719	493,619
Volunteer services	25,304	-	25,304	41,671
Dental and insurance assistance	9,886,014	-	9,886,014	6,311,804
Supporting Services:				
Management and general	909,546	-	909,546	857,697
Marketing	40,091	-	40,091	77,315
Fund development	261,806	-	261,806	303,001
	<u>13,659,635</u>	<u>-</u>	<u>13,659,635</u>	<u>9,882,439</u>
TOTAL EXPENSES				
	13,659,635	-	13,659,635	9,882,439
CHANGE IN NET ASSETS	117,953	(37,162)	80,791	(119,428)
NET ASSETS - BEGINNING OF YEAR	1,091,636	226,029	1,317,665	1,437,093
	<u>1,091,636</u>	<u>226,029</u>	<u>1,317,665</u>	<u>1,437,093</u>
NET ASSETS - END OF YEAR	\$ 1,209,589	\$ 188,867	\$ 1,398,456	\$ 1,317,665
	<u>\$ 1,209,589</u>	<u>\$ 188,867</u>	<u>\$ 1,398,456</u>	<u>\$ 1,317,665</u>

See accompanying notes to financial statements.

NASHVILLE CARES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 80,791	\$ (119,428)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	81,106	75,313
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - Note 8	3,516	367
Loss on disposal of property and equipment	1,645	1,535
Bad debt	11,050	7,925
(Increase) decrease in:		
Accounts receivable	(10,665)	2,727
Grant receivable	226,248	(778,188)
Contributions receivable	25,291	7,760
Prepaid expenses and other	(16,340)	24,175
Increase (decrease) in:		
Checks issued in excess of deposits	(65,583)	397,365
Accounts payable	(250,061)	69,078
Accrued payroll and compensated absences	(2,211)	25,743
Deferred revenue	3,253	-
NET ADJUSTMENTS	<u>7,249</u>	<u>(166,200)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>88,040</u>	<u>(285,628)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(51,516)	(33,264)
Distributions from agency endowment fund	<u>800</u>	<u>900</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(50,716)</u>	<u>(32,364)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(62,394)	(135,889)
Net borrowings on line of credit	66,101	389,151
Capital campaign contributions collected	<u>-</u>	<u>37,122</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>3,707</u>	<u>290,384</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	41,031	(27,608)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>27,907</u>	<u>55,515</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 68,938</u>	<u>\$ 27,907</u>
OTHER CASH FLOW DISCLOSURES		
Interest paid during the year	<u>\$ 90,134</u>	<u>\$ 82,198</u>

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2009, WITH COMPARATIVE SUMMARIZED INFORMATION FOR 2008

	PROGRAM SERVICES					SUPPORTING SERVICES			TOTALS	
	CASE MANAGEMENT SERVICES	EMOTIONAL AND PRACTICAL SUPPORT SERVICES	EDUCATIONAL SERVICES	VOLUNTEER SERVICES	DENTAL AND INSURANCE ASSISTANCE	MANAGEMENT AND GENERAL	MARKETING	FUND DEVELOPMENT	2009	2008
Salaries	\$ 586,078	\$ 347,196	\$ 410,224	\$ 18,841	\$ 282,619	\$ 430,065	\$ 25,263	\$ 146,916	\$ 2,247,202	\$ 1,997,068
Employee taxes and fringe benefits	146,028	71,742	92,110	4,155	74,444	88,867	3,739	34,525	515,610	456,042
TOTAL PAYROLL AND RELATED EXPENSES	732,106	418,938	502,334	22,996	357,063	518,932	29,002	181,441	2,762,812	2,453,110
Client assistance	294,610	380,139	14,099	-	9,453,952	-	-	-	10,142,800	6,603,735
Advertising	-	-	625	-	-	399	1,420	-	2,444	16,629
Audit	-	-	-	-	-	21,600	-	-	21,600	18,350
Bank fees and interest expense	-	-	-	-	-	39,616	-	-	39,616	30,633
Conferences and training	129	-	1,137	-	14	7,731	-	325	9,336	15,625
Equipment rental and maintenance	-	-	-	-	-	7,963	-	-	7,963	10,108
Insurance	-	-	-	-	-	25,415	-	-	25,415	30,619
Licensure/permits	-	1,320	150	-	-	2,152	-	300	3,922	2,783
Memberships	-	30	35	-	-	9,066	187	180	9,498	17,062
Occupancy	14,085	12,213	8,840	1,487	6,336	83,281	220	14,317	140,779	139,017
Participation fees	-	-	510	-	-	-	2,091	100	2,701	4,961
Postage	1,568	3,642	4,429	259	20,030	1,180	1,400	2,442	34,950	25,111
Printing	1,651	930	3,748	132	1,146	6,997	4,520	1,479	20,603	23,521
Professional fees	6,996	-	5,345	-	33,927	42,672	725	342	90,007	93,585
Space rental	-	2,055	1,640	-	-	-	-	1,902	5,597	3,446
Special event production	-	-	-	-	-	-	-	55,243	55,243	52,072
Supplies	3,417	4,166	27,073	383	12,169	35,755	470	2,950	86,383	162,243
Telephone	6,241	1,080	4,250	-	459	17,927	-	460	30,417	31,057
Travel/mileage	45,726	2,113	21,897	47	918	2,909	56	325	73,991	64,294
Volunteer incentives/remuneration	-	-	7,607	-	-	-	-	-	7,607	4,133
Van upkeep/gasoline	-	-	-	-	-	4,426	-	-	4,426	3,846
Miscellaneous	-	-	-	-	-	419	-	-	419	1,186
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	1,106,529	826,626	603,719	25,304	9,886,014	828,440	40,091	261,806	13,578,529	9,807,126
Depreciation on furniture and equipment	-	-	-	-	-	81,106	-	-	81,106	75,313
TOTAL FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2009	\$ 1,106,529	\$ 826,626	\$ 603,719	\$ 25,304	\$ 9,886,014	\$ 909,546	\$ 40,091	\$ 261,806	\$13,659,635	
TOTAL FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2008	\$ 1,100,899	\$ 696,433	\$ 493,619	\$ 41,671	\$ 6,311,804	\$ 857,697	\$ 77,315	\$ 303,001		\$ 9,882,439

See accompanying notes to financial statements.

NASHVILLE CARES
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Nashville CARES (the "Agency") was founded in 1985 as a Tennessee not-for-profit corporation. The Agency serves northern Middle Tennessee by providing practical, financial, material and emotional support services to persons living with AIDS or HIV infection and to those persons' families and loved ones. The Agency educates and informs the general public by providing the most current medical and scientific information about AIDS/HIV infection and risk reduction practices. Funding for the Agency's services is provided principally by grants from the U.S. Department of Housing and Urban Development ("HUD") passed through the Metropolitan Development and Housing Agency, the U. S. Department of Health and Human Services passed through the Tennessee Department of Health and United Way of Metropolitan Nashville, designated donations through United Way of Metropolitan Nashville, from other United Way agencies, and from individual, foundation and corporate donors.

Basis of presentation

The accompanying financial statements present the financial position and changes in net assets of the Agency on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Resources are classified as unrestricted, temporarily restricted and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Agency had no permanently restricted net assets as of June 30, 2009 or 2008.

Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks, money market funds and time deposits with original maturities when purchased of three months or less. For purposes of the Statements of Cash Flows, balances in the building fund are combined with operating accounts.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment are recorded at cost at the date of purchase or at estimated fair value at the date of gift to the Agency. The Agency's policy is to capitalize purchases with a cost of \$1,000 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of five years for vehicles, software, furniture and equipment, most building improvements, and forty years for building and significant building improvements.

Agency endowment fund

The Agency's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee is recognized as an asset. Investment income and changes in the value of the fund are recognized in the Statement of Activities, and distributions received from the fund are recorded as decreases in the beneficial interest. (See Note 8.)

Contributions and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions.

Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to expenditure are recorded initially as deferred revenue.

The Agency reports any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets, and/or support that is restricted to the acquisition of long-lived assets, are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Compensated absences

Compensated absences are accrued for vacation days earned by employees that will be paid in the future. Current policy is to allow full-time employees to carry over a maximum of ten days.

Donated services

The Agency's policy is not to record support and expenses for contributed services where no objective basis is available to measure the value of such services.

Program and supporting services

The following functional expense allocations are included in the accompanying financial statements:

Program services

Case management services - social services to meet financial and material needs of HIV-infected individuals and their families living in 17 counties of northern Middle Tennessee.

Emotional and practical support services - social services to meet emotional, therapeutic, nutritional, and practical support needs of HIV-infected individuals and their families living in 17 counties of northern Middle Tennessee.

Educational services - provision of HIV/AIDS prevention education and awareness to various populations and target groups throughout 17 counties of northern Middle Tennessee.

Volunteer services - recruitment, training and placement of volunteers within the various departments of the Agency. There are currently more than 500 volunteers that work in all areas of the Agency.

Dental and insurance assistance - financial assistance for the payment of dental care for persons with HIV/AIDS throughout a 39-county area in Middle Tennessee and Upper Cumberland. Financial assistance is provided for medical insurance premiums and/or medical and prescription deductibles and co-payments for persons with HIV/AIDS throughout the State of Tennessee.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supporting services

Management and general - includes the functions necessary to ensure an adequate working environment, Board operations, and community planning and networking activities.

Marketing - includes activities to inform the public and agency constituencies about the organization and its work, as well as education to raise and sustain community awareness of domestic HIV/AIDS issues. Includes the cost of Agency newsletter and any public relations campaigns.

Fund development - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of functional expenses

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

Income taxes

The Agency qualifies as a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Events occurring after reporting date

The Agency has evaluated events and transactions that occurred between June 30, 2009 and December 3, 2009, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to prior year amounts to be comparative with the current year presentation.

Recent accounting pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, which permits a one-year deferral for the implementation of SFAS No. 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The Agency adopted SFAS No. 157 for the fiscal year beginning July 1, 2008, except for such nonfinancial assets and liabilities, for which delayed application is permitted until fiscal years beginning after November 15, 2008.

In July 2006, the FASB issued Financial Interpretation No. 48 (FIN No. 48), *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*. FIN No. 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. The cumulative effect of changes arising from the initial application of FIN No. 48 is required to be reported as an adjustment to the opening balance of net assets in the period of adoption. In December 2008, the FASB provided for a deferral of the effective date of FIN No. 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Agency has elected this deferral and, accordingly, will be required to adopt FIN No. 48 in its June 30, 2010 annual financial statements. Prior to adopting FIN No. 48, the Agency will continue to evaluate uncertain tax positions and related income tax contingencies under SFAS No. 5, *Accounting for Contingencies*. SFAS No. 5 requires annual accrual for losses that are considered probable and can be reasonably estimated, or disclosure for losses that are considered reasonably possible and/or cannot be reasonably estimated.

The Agency is currently evaluating the impact, if any, of the adoption of these pronouncements on the financial statements.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009

NOTE 2 - GRANTS RECEIVABLE

Grants receivable consisted of the following as of June 30:

	<u>2009</u>	<u>2008</u>
DHS - Emergency Food and Shelter Program	\$ -	\$ 2,388
HUD - Housing Opportunities for Persons with AIDS (HOPWA)	10,828	-
HUD - Housing Opportunities for Persons with AIDS (HOPWA)	175,147	155,503
CDC - HIV Prevention and Education	42,869	49,262
CDC - Counseling and Testing Services	14,274	5,206
CDC - MSM Needs Assessment	1,074	-
Ryan White CARE Act - Part B - Medical Care Management	8,212	8,373
Ryan White CARE Act - Part B Care Middle Tennessee	113,120	57,899
Ryan White CARE Act - Part B Dental Assistance Middle Tennessee	171,021	24,393
Ryan White CARE Act - Part A Care Nashville Transitional Grant Area (TGA)	116,209	115,961
Ryan White CARE Act - Part A Dental Assistance Nashville TGA	110,960	165,338
Ryan White CARE Act - Part B Insurance Assistance State of Tennessee - 2009, Middle Tennessee - 2008	722,034	848,013
Ryan White CARE Act - Part A Minority AIDS Initiative Nashville TGA	9,452	9,202
Ryan White CARE Act - Part B Dental Assistance Southwest Tennessee	-	9,364
Ryan White CARE Act - Part A Dental Assistance Memphis TGA	-	102,112
Ryan White CARE Act - Part B Insurance Assistance Southwest Tennessee	-	122,524
Ryan White CARE Act - Part B Insurance Assistance West Tennessee	-	53,306
Ryan White CARE Act - Title IV	16,725	16,648
Community Enhancement Grant	7,319	-
	<u>\$1,519,244</u>	<u>\$1,745,492</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009

NOTE 3 - CONTRIBUTIONS RECEIVABLE

All contributions receivable at June 30, 2009 and 2008 are temporarily restricted and due in less than one year.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2009</u>	<u>2008</u>
Land	\$ 257,850	\$ 257,850
Building	1,092,150	1,092,150
Building improvements	120,958	120,958
Vehicles	4,125	4,125
Software	106,069	59,659
Furniture and equipment	<u>181,880</u>	<u>191,457</u>
	1,763,032	1,726,199
Less accumulated depreciation	<u>(392,293)</u>	<u>(324,225)</u>
	<u>\$ 1,370,739</u>	<u>\$ 1,401,974</u>

Fully depreciated assets at June 30, 2009 amounted to approximately \$101,000 (\$115,000 at June 30, 2008).

NOTE 5 - EMPLOYEE BENEFIT PLAN

The Agency sponsors a Section 403(b) retirement plan. Employees may participate in the plan upon hiring. Under the plan, the Agency has the discretion to vary the rate of the Employer match on an annual basis up to a maximum of 6% of each eligible employee's compensation. Currently, management has established a matching contribution only for employees with at least two years of service, and at a rate up to a maximum of 5% of each eligible employee's compensation, based on seniority. Total employer contributions to the plan were \$19,105 in 2009 (\$19,109 in 2008).

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Agency to concentrations of credit risk consist of cash and cash equivalents, various federal grants, accounts and United Way receivables. Contributions receivable consist of individual and corporate contribution pledges which are widely dispersed to mitigate credit risk. Grant and United Way receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources.

The Agency maintains its cash balances in bank deposit accounts which, at times, may exceed Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Emergency Economic Stabilization Act of 2008 temporarily increased FDIC coverage from \$100,000 per depositor to \$250,000 per depositor, effective October 3, 2008 through December 31, 2009. On May 20, 2009, the Helping Families Save Their Homes Act extended the temporary increase in FDIC coverage through December 31, 2013. As of June 30, 2009, there were no cash accounts in excess of FDIC insured amounts.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
United Way of Metropolitan Nashville:		
Designations	\$ 38,506	\$ 49,845
Outcome-based funding grants	90,812	91,893
Designations for other counties	2,000	-
Other United Ways/workplace campaigns	4,126	4,466
HCA Caring for the Community campaign	11,571	9,620
Donation for special event for the following year	2,950	19,650
Corporate and foundation grants - operational support		
for the following year:		
National AIDS Fund	20,000	26,413
Broadway Cares	-	7,500
Central Tennessee Professional Florists	-	42
Cal Turner Foundation	-	1,000
Baptist Healing Trust	14,577	-
Major gift pledge	2,325	2,050
20th Anniversary campaign fund	-	11,050
Religious contributions	2,000	2,500
	<u>\$ 188,867</u>	<u>\$ 226,029</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009

NOTE 8 - AGENCY ENDOWMENT FUND

The Agency has a beneficial interest in the Nashville CARES Endowment Fund (the "Fund"), an agency endowment fund held by the Community Foundation of Middle Tennessee (the "Community Foundation"). The Agency has granted variance power to the Community Foundation, and the Community Foundation has the ultimate authority and control over the Fund and the income derived therefrom. The Fund is charged a .4% administrative fee annually. Upon request by the Agency, income from the Fund representing a 5% annual return may be distributed to the Agency or to another suggested beneficiary.

A schedule of changes in the Agency's beneficial interest in this fund for the years ended June 30, 2009 and 2008, follows:

	<u>2009</u>	<u>2008</u>
Balance - beginning of year	\$ 16,916	\$ 18,183
Change in value of beneficial interest in agency endowment fund:		
Contributions to the fund	-	335
Investment income (loss)	(3,426)	(589)
Administrative expenses	<u>(90)</u>	<u>(113)</u>
	(3,516)	(367)
Distributions to the Agency	<u>(800)</u>	<u>(900)</u>
Balance - end of year	<u>\$ 12,600</u>	<u>\$ 16,916</u>

The carrying amount of the beneficial interest in agency endowment fund held by the Community Foundation is based on information received from the Community Foundation indicating the financial performance of the endowment fund. The Agency reflects this asset within Level 2 of the valuation hierarchy, as defined by SFAS No. 157.

NOTE 9 - DEBT

On September 30, 2004, the Agency entered into a \$1,350,000 loan agreement evidenced by a note payable to Beacon Federal Bank. The note accrued interest at the rate of 6.05% per annum and is secured by a deed of trust on the Agency's real estate. On July 28, 2009, the Agency entered into an amended and restated promissory note (the "modified note") for the remaining balance of \$869,571, which is payable in bi-weekly installments of \$4,374. The modified note accrues interest at the rate of 5.55% per annum through July 27, 2014, at which time the rate will be adjusted to the then prevailing five-year Federal Home Loan Bank of New York rate plus 2% per annum and remain fixed until maturity on July 16, 2019.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009

NOTE 9 - DEBT (CONTINUED)

The agreement places certain restrictions and limitations on the Agency, including maintenance of a specified cash flow coverage ratio. As of June 30, 2009, the Agency was in compliance with this requirement.

A schedule of future principal maturities, based on the modified note, as of June 30, 2009, follows:

<u>Year ending June 30,</u>	
2010	\$ 66,335
2011	70,244
2012	74,294
2013	78,578
2014	83,109
Thereafter	<u>501,909</u>
	<u>\$ 874,469</u>

The Agency has another agreement with Beacon Federal Bank ("Beacon") that provides for a \$2,000,000 unsecured line of credit. Borrowings under the line bear interest at a rate equal to The Wall Street Journal Prime Rate minus 0.5%. The line of credit matured November 15, 2009; however, Beacon has verbally extended the terms temporarily while a new agreement is being negotiated. The outstanding balance at June 30, 2009 was \$455,252 (\$389,151 at June 30, 2008).

Total interest expense incurred by the Agency was \$90,134 in 2009 and \$82,198 in 2008 and is included in occupancy expense for the note payable, and bank fees and interest expense for the line of credit.

NOTE 10 - RELATED PARTIES AND OTHER MATTERS

During the year ended June 30, 2009, the Agency and Comprehensive Care Center, a not-for-profit organization which provides comprehensive, cost-effective, state-of-the-art medical procedures, treatments and services to individuals with HIV and AIDS, formed a new foundation called Comprehensive-CARES Foundation (the "Foundation"), a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is comprised of one-third representation of the Agency, one-third representation of Comprehensive Care Center, and one-third representation of other community members. The Foundation exists primarily to research land acquisition options, and raise capital for the purchase of land and construction of a common facility to be shared by the two agencies. A relocation to a new facility is not anticipated to occur for at least five years. The Agency has its current operating facility listed for sale.

One of the Agency's Board members is employed with a financial institution with which the Agency conducts business transactions.

ADDITIONAL INFORMATION

NASHVILLE CARES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Program Name	Federal CFDA Number	Contract Number	Award Period	Award Amount	(Accrued) Deferred Revenue 7/1/2008	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2009
DEPARTMENT OF HOMELAND SECURITY:								
Emergency Food and Shelter Program-Nutrition	97.024	N/A	11-01-07 - 12-31-08	\$ 9,200	\$ (1,830)	\$ 4,601	\$ 2,771	\$ -
Emergency Food and Shelter Program-Nutrition	97.024	N/A	01-01-09 - 10-31-09	\$ 18,000	-	9,000	7,987	1,013
Emergency Food and Shelter Program-Lodging	97.024	N/A	11-01-07 - 12-31-08	\$ 10,787	(\$58)	5,393	4,835	-
Emergency Food and Shelter Program-Lodging	97.024	N/A	01-01-09 - 10-31-09	\$ 9,437	-	4,718	2,478	2,240
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:								
PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:								
Housing Opportunities for Persons with AIDS	14.241*	GR-08-20829-00	07-01-07 - 06-30-08	\$ 28,400	(372)	372	-	-
Housing Opportunities for Persons with AIDS	14.241*	GR-09-25334-00	07-01-08 - 06-30-09	\$ 36,100	-	25,272	36,100	(10,828)
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:								
Housing Opportunities for Persons with AIDS	14.241*	N/A	04-01-08 - 03-31-09	\$ 593,739	(155,131)	566,257	438,608	(27,482)
Housing Opportunities for Persons with AIDS	14.241*	N/A	04-01-09 - 03-31-10	\$ 569,012	-	-	147,665	(147,665)
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:								
PASSED THROUGH THE MIDDLE TENNESSEE REGIONAL COMMUNITY PLANNING GROUP IN COLLABORATION WITH THE UNITED WAY OF METROPOLITAN NASHVILLE:								
HIV Prevention and Education	93.940	N/A	01-01-08 - 12-31-08	\$ 218,673	(49,262)	175,359	126,097	-
HIV Prevention and Education	93.940	N/A	01-01-09 - 12-31-09	\$ 227,000	-	72,421	115,290	(42,869)
PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:								
Centers for Disease Control-Counseling and Testing Services	93.940	GR-08-23576-00	01-01-08 - 09-30-08	\$ 48,900	(\$206)	20,709	15,303	-
Centers for Disease Control-Counseling and Testing Services	93.940	GR-09-26443-00	10-01-08 - 09-30-09	\$ 132,800	-	60,983	75,257	(34,274)
Centers for Disease Control-MSM Needs Assessment	93.940	GR-09-27606-00	05-01-09 - 12-31-09	\$ 27,100	-	1,403	2,477	(1,074)
PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:								
Ryan White CARE Act - Part B - Medical Care Management	93.917*	GR-08-24028-00	04-01-08 - 03-31-09	\$ 100,000	(8,373)	80,296	71,923	-
Ryan White CARE Act - Part B - Medical Care Management	93.917*	GR-09-27380-00	04-01-09 - 03-31-10	\$ 100,000	-	18,192	26,404	(8,212)
Ryan White CARE Act - Part B Insurance Assistance	93.917*	GR-09-25165-01	07-01-08 - 03-31-10	\$ 14,542,900	-	8,397,516	9,119,550	(722,034)
PASSED THROUGH THE UNITED WAY OF METROPOLITAN NASHVILLE:								
Ryan White CARE Act - Part B Care	93.917*	N/A	04-01-08 - 03-31-09	\$ 252,000	(57,899)	207,698	193,517	(43,718)
Ryan White CARE Act - Part B Care	93.917*	N/A	04-01-09 - 03-31-10	\$ 239,990	-	-	69,402	(69,402)
Ryan White CARE Act - Part B Dental Assistance	93.917*	N/A	04-01-08 - 03-31-09	\$ 297,508	(24,393)	222,636	273,115	(74,872)
Ryan White CARE Act - Part B Dental Assistance	93.917*	N/A	04-01-09 - 03-31-10	\$ 298,600	-	-	96,149	(96,149)

(continued on following page)

NASHVILLE CARES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

Program Name	Federal CFDA Number	Contract Number	Award Period	Award Amount	(Accrued) Deferred Revenue 7/1/2008	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2009
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued):								
PASSED THROUGH THE UNITED WAY OF METROPOLITAN NASHVILLE: (Continued)								
Ryan White CARE Act - Part A Care	93.914*	N/A	04-01-08 - 02-28-09	\$ 647,791	\$ (115,961)	\$ 599,789	\$ 483,828	\$ -
Ryan White CARE Act - Part A Care	93.914*	N/A	03-01-09 - 02-28-10	\$ 844,954	-	113,736	229,945	(116,209)
Ryan White CARE Act - Part A Dental Assistance	93.914*	N/A	04-01-08 - 02-28-09	\$ 612,244	(165,338)	596,032	430,694	-
Ryan White CARE Act - Part A Dental Assistance	93.914*	N/A	03-01-09 - 02-28-10	\$ 475,244	-	63,808	174,768	(110,960)
Ryan White CARE Act - Part B Insurance Assistance	93.917*	N/A	04-01-08 - 06-30-08	\$ 848,013	(848,013)	848,013	-	-
Ryan White CARE Act - Part A Minority AIDS Initiatives	93.914*	N/A	10-01-07 - 07-31-08	\$ 38,000	(9,202)	21,746	12,544	-
Ryan White CARE Act - Part A Minority AIDS Initiatives	93.914*	N/A	08-01-08 - 07-31-09	\$ 46,900	-	28,476	37,928	(9,452)
PASSED THROUGH THE UNITED WAY OF MIDSOUTH:								
Ryan White CARE Act - Part B Dental Assistance	93.917*	N/A	04-01-08 - 03-31-09	\$ 201,600	(9,364)	192,784	183,420	-
Ryan White CARE Act - Part A Dental Assistance	93.914*	N/A	04-01-07 - 03-31-08	\$ 292,800	(61,687)	61,687	-	-
Ryan White CARE Act - Part A Dental Assistance	93.914*	N/A	04-01-08 - 03-31-09	\$ 381,181	(40,425)	379,500	339,075	-
Ryan White CARE Act - Part B Insurance Assistance	93.917*	N/A	04-01-08 - 06-30-08	\$ 208,491	(122,524)	122,524	-	-
PASSED THROUGH LEGAL SERVICES OF WEST TENNESSEE:								
Ryan White CARE Act - Part B Insurance Assistance	93.917*	N/A	04-01-08 - 06-30-08	\$ 188,556	(53,306)	53,306	-	-
PASSED THROUGH THE COMPREHENSIVE CARE CENTER:								
Ryan White CARE Act - Title IV	93.153	2 H12 HA 23001-05	08-01-07 - 07-31-08	\$ 84,275	(16,648)	19,164	2,516	-
Ryan White CARE Act - Title IV	93.153	2 H12 HA 23001-05	08-01-08 - 07-31-09	\$ 84,275	-	65,508	82,233	(16,725)
TOTAL OF EXPENDITURES OF FEDERAL AWARDS					\$ (1,745,492)	\$ 13,038,899	\$ 12,802,079	\$ (1,508,672)

*Considered a major program under OMB Circular A-133.

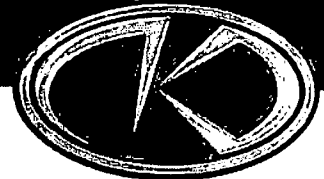
BASIS OF PRESENTATION

This schedule presents the federal grant activity of Nashville CARES on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non Profit Organizations.

Summary of Expenditures by CFDA Number:

14.241	\$ 622,373
93.153	84,749
93.914	1,708,782
93.917	10,033,480
93.940	334,624
97.024	18,071
	\$ 12,802,079

OTHER REPORTS



KraftCPAs
PLLC

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

To The Board of Directors of Nashville CARES
Nashville, Tennessee

We have audited the financial statements of Nashville CARES (the "Agency"), a Tennessee not-for-profit corporation, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 3, 2009. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

KRAFT CPAs PLLC

Nashville, Tennessee
December 3, 2009



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of Nashville CARES
Nashville, Tennessee

Compliance

We have audited the compliance of Nashville CARES (the "Agency") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Graft CPAs PLLC in black ink.

Nashville, Tennessee
December 3, 2009

NASHVILLE CARES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ 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 that are not considered to be material weaknesses? _____ yes x none reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

_____ yes x no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.241	Housing Opportunities for Persons with AIDS
93.914	HIV Emergency Relief Project Grants
93.917	HIV Care Formula Grants

Dollar threshold used to distinguish between type A and type B programs:

\$384,062

Auditee qualified as low-risk auditee?

 x yes _____ no