

NASHVILLE CARES

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION

AND

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2011

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

JUNE 30, 2011

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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, 2011 and 2010, the related statements of activities and functional expenses for the year ended June 30, 2011, and the statements of cash flows for the years ended June 30, 2011 and 2010. 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, 2010 financial statements and, in our report dated December 6, 2010, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2011 and 2010, the changes in its net assets for the year ended June 30, 2011, and its cash flows for the years ended June 30, 2011 and 2010, 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 November 18, 2011, 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 conducted 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 17 - 18, 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.

*KraftCPAs PLLC*

Nashville, Tennessee  
November 18, 2011

NASHVILLE CARES  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 177,248	\$ 445,034
Accounts receivable	29,318	33,703
Grants receivable	943,531	1,898,847
Contributions receivable:		
United Way	123,477	103,277
HCA Caring for the Community	15,881	18,024
Other workplace campaign	6,012	30,857
Major gifts receivable	20,000	3,900
Special events receivable	3,500	7,923
Other	13,727	82,478
Prepaid expenses and other	61,474	28,322
Property and equipment	2,873,501	1,303,538
Cash - building fund	1,568	1,568
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	15,851	13,722
<b>TOTAL ASSETS</b>	<b>\$ 4,285,088</b>	<b>\$ 3,971,193</b>
<u>LIABILITIES AND NET ASSETS</u>		
<b>LIABILITIES</b>		
Checks issued in excess of deposits	\$ 83,820	\$ 72,948
Accounts payable	49,628	52,549
Accrued payroll and compensated absences	222,413	107,849
Deferred revenue	134,597	230,135
Line of credit	53,921	1,452,674
Note payable	2,100,000	808,134
<b>TOTAL LIABILITIES</b>	<b>2,644,379</b>	<b>2,724,289</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	672,420	491,319
Designated for property and equipment, less related debt	773,501	495,404
Designated for beneficial interest in agency endowment fund	15,851	13,722
Total unrestricted	1,461,772	1,000,445
Temporarily restricted	178,937	246,459
<b>TOTAL NET ASSETS</b>	<b>1,640,709</b>	<b>1,246,904</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,285,088</b>	<b>\$ 3,971,193</b>

See accompanying notes to financial statements.



NASHVILLE CARES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011, WITH COMPARATIVE SUMMARIZED INFORMATION FOR 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>	<u>TOTALS</u>
			2011	2010
<b>PUBLIC SUPPORT AND REVENUE</b>				
Public Support:				
Individual gifts	\$ 21,707	\$ 2,138	\$ 23,845	\$ 17,335
Major gifts	324,605	20,000	344,605	88,925
United Way designations	-	43,954	43,954	24,690
HCA Caring for the Community designations	-	20,082	20,082	23,294
Other workplace campaign designations	130	9,634	9,764	48,172
Religious gifts	9,360	8,526	17,886	15,844
Special events	317,364	32,041	349,405	358,994
Federal, state and local grants and contracts	11,990,371	-	11,990,371	12,365,616
Foundation and corporate grants	83,696	374,660	458,356	269,526
	<u>12,747,233</u>	<u>511,035</u>	<u>13,258,268</u>	<u>13,212,396</u>
Total Public Support				
	12,747,233	511,035	13,258,268	13,212,396
Investment income	4,423	-	4,423	1,956
Other revenue	864	-	864	4,487
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	2,829	-	2,829	1,822
Gain on sale of building	447,749	-	447,749	-
Net assets released resulting from satisfaction of donor restrictions	578,557	(578,557)	-	-
	<u>13,781,655</u>	<u>(67,522)</u>	<u>13,714,133</u>	<u>13,220,661</u>
TOTAL PUBLIC SUPPORT AND REVENUE				
	13,781,655	(67,522)	13,714,133	13,220,661
<b>EXPENSES</b>				
Program Services:				
Case management services	1,508,623	-	1,508,623	1,258,511
Emotional and practical support services	750,425	-	750,425	803,615
Educational services	1,025,069	-	1,025,069	837,533
Volunteer services	38,815	-	38,815	18,460
Dental and insurance assistance	8,429,021	-	8,429,021	9,194,980
Supporting Services:				
Management and general	1,111,563	-	1,111,563	957,188
Marketing	48,104	-	48,104	32,732
Fund development	408,708	-	408,708	269,194
	<u>13,320,328</u>	<u>-</u>	<u>13,320,328</u>	<u>13,372,213</u>
TOTAL EXPENSES				
	13,320,328	-	13,320,328	13,372,213
CHANGE IN NET ASSETS	461,327	(67,522)	393,805	(151,552)
NET ASSETS - BEGINNING OF YEAR	1,000,445	246,459	1,246,904	1,398,456
	<u>1,000,445</u>	<u>246,459</u>	<u>1,246,904</u>	<u>1,398,456</u>
NET ASSETS - END OF YEAR	\$ 1,461,772	\$ 178,937	\$ 1,640,709	\$ 1,246,904
	<u>\$ 1,461,772</u>	<u>\$ 178,937</u>	<u>\$ 1,640,709</u>	<u>\$ 1,246,904</u>

See accompanying notes to financial statements.

NASHVILLE CARES  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 393,805	\$ (151,552)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	59,597	78,450
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	(2,829)	(1,822)
Gain on disposal of property	(447,749)	-
(Increase) decrease in:		
Accounts receivable	4,385	(8,970)
Grants receivable	955,316	(379,603)
Contributions receivable	63,862	(56,814)
Prepaid expenses and other	(33,152)	12,001
Increase (decrease) in:		
Checks issued in excess of deposits	10,872	(329,853)
Accounts payable	(2,921)	29,754
Accrued payroll and compensated absences	114,564	38,653
Deferred revenue	(95,538)	226,882
NET ADJUSTMENTS	<u>626,407</u>	<u>(391,322)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,020,212</u>	<u>(542,874)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,065,311)	(11,249)
Proceeds from sale of property	884,870	-
Distributions from agency endowment fund	<u>700</u>	<u>700</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(179,741)</u>	<u>(10,549)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(24,504)	(66,335)
Proceeds from note payable	315,000	-
Net borrowings on line of credit	<u>(1,398,753)</u>	<u>997,422</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(1,108,257)</u>	<u>931,087</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(267,786)	377,664
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>446,602</u>	<u>68,938</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 178,816</u>	<u>\$ 446,602</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Purchase price of new facility	\$ 2,015,000	\$ -
Less proceeds of mortgage loan from bank	<u>1,785,000</u>	<u>-</u>
Net cash paid at closing	<u>\$ 230,000</u>	<u>\$ -</u>
Debt satisfied by sale of property	<u>\$ 783,630</u>	<u>\$ -</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid during the year	<u>\$ 58,371</u>	<u>\$ 79,335</u>

See accompanying notes to financial statements.

## STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011, WITH COMPARATIVE SUMMARIZED INFORMATION FOR 2010

See accompanying notes to financial statements.

## NASHVILLE CARES

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

#### 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 and other Tennessee areas 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. The Agency also provides HIV testing and screening to identify individuals infected with HIV and link them to medical care and support. Funding for the Agency's services is provided principally by grants from the U.S. Department of Housing and Urban Development ("HUD"), the U. S. Department of Health and Human Services 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 generally accepted accounting principles ("GAAP").

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, 2011 or 2010.

##### Cash and Cash Equivalents

Cash and cash equivalents include demand deposits with banks and money market funds. 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, 2011

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 increases (decreases) in the beneficial interest. (See Note 5.)

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, 2011

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 or 80 hours and part-time staff to carry over a prorated portion.

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, as well as HIV testing/screening to help individuals learn their HIV status and take appropriate action.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

Volunteer services - recruitment, training and placement of volunteers within the various departments of the Agency. There are currently more than 350 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.

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 the 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.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Agency files a U.S. Federal Form 990 for organizations exempt from federal income tax. The Agency's returns for years prior to fiscal year end 2008 are closed.

Use of Estimates in the Preparation of Financial Statements

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

Events Occurring After Reporting Date

The Agency has evaluated events and transactions that occurred between June 30, 2011 and November 18, 2011, the date 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, 2011

NOTE 2 - GRANTS RECEIVABLE

Grants receivable consisted of the following as of June 30:

	<u>2011</u>	<u>2010</u>
DHS - Emergency Food and Shelter Program	\$ -	\$ 52
HUD - Housing Opportunities for Persons with AIDS (HOPWA)	180,994	102,847
CDC - HIV Prevention and Education	119,226	91,664
CDC - Counseling and Testing Services	83,013	63,865
Ryan White CARE Act - Part B - Medical Care Management	19,159	32,690
Ryan White CARE Act - Part B Care Middle Tennessee	20,790	66,782
Ryan White CARE Act - Part B Dental Assistance Middle Tennessee	53,716	147,814
Ryan White CARE Act - Part A Care Nashville Transitional Grant Area (TGA)	183,521	127,533
Ryan White CARE Act - Part A Dental Assistance Nashville TGA	115,997	136,384
Ryan White CARE Act - Part B Insurance Assistance	121,007	1,087,747
Ryan White CARE Act - Part A Minority AIDS Initiative Nashville TGA	12,242	7,670
Ryan White CARE Act - Part D	16,028	25,667
National Institutes of Health	7,008	-
Metro Nashville Community Enhancement Grant	<u>10,830</u>	<u>8,132</u>
	<u>\$ 943,531</u>	<u>\$ 1,898,847</u>

NOTE 3 - CONTRIBUTIONS RECEIVABLE

All contributions receivable at June 30, 2011 and 2010 are temporarily restricted and due in less than one year.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2011</u>	<u>2010</u>
Land	\$ 400,000	\$ 257,850
Building	1,615,000	1,092,150
Building improvements	757,347	124,621
Vehicles	4,125	4,125
Software	113,654	113,654
Furniture and equipment	<u>241,475</u>	<u>181,305</u>
	3,131,601	1,773,705
Less accumulated depreciation	<u>(258,100)</u>	<u>(470,167)</u>
	<u>\$ 2,873,501</u>	<u>\$ 1,303,538</u>

Fully depreciated assets at June 30, 2011 amounted to approximately \$120,000 (\$143,000 at June 30, 2010).

During 2011, the Agency sold its operating facility, purchased a new facility at a cost of \$2,015,000 and made improvements to the new facility of approximately \$757,000. The Agency financed the new facility with a \$2,100,000 note payable (see Note 6).

NOTE 5 - 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.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 5 - AGENCY ENDOWMENT FUND (CONTINUED)

A schedule of changes in the Agency's beneficial interest in this fund for the years ended June 30, 2011 and 2010, follows:

	<u>2011</u>	<u>2010</u>
Balance - beginning of year	\$ 13,722	\$ 12,600
Change in value of beneficial interest in agency endowment fund:		
Contributions to the fund	-	300
Investment income	2,937	1,614
Administrative expenses	<u>(108)</u>	<u>(92)</u>
	2,829	1,822
Distributions to the Agency	<u>(700)</u>	<u>(700)</u>
Balance - end of year	<u>\$ 15,851</u>	<u>\$ 13,722</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 applicable financial accounting standards.

NOTE 6 - DEBT

On September 30, 2004, the Agency entered into a \$1,350,000 loan agreement evidenced by a note payable to Beacon Federal Bank. On July 28, 2009, the note was amended and restated (the "modified note") for the then remaining balance of \$869,571, which was payable in bi-weekly principal and interest installments of \$4,374. The modified note accrued interest at the rate of 5.55% per annum. During 2011, this loan was paid in full in conjunction with the sale of its operating facility (see Note 4).

In April 2011, the Agency entered into a construction line of credit with Beacon Federal Bank to finance the purchase of the new operating facility and the initial build-out. The loan provided for a three month construction period, during which the Agency made monthly interest payments at the Wall Street Journal Prime Rate plus 3% (6.25% at June 30, 2011). On July 15, 2011, the note was amended and restated (the "modified note") with a balance of \$2,100,000, which requires monthly principal and interest installments of \$14,139 until maturity on July 15, 2031. The modified note accrues interest at the rate of 5.24% per annum through July 15, 2021. Beginning July 15, 2021 and on every fifth year thereafter, the rate will be adjusted to the then prevailing Five-Year Federal Home Loan Bank of New York Rate plus 3%. The note is secured by a deed of trust on the Agency's real estate. This note may be prepaid in whole or in part at any time and requires a prepayment premium for prepayments under certain circumstances prior to April 15, 2016.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 6 - DEBT (CONTINUED)

A schedule of future principal maturities under the modified note as of June 30, 2011, follows:

Year ending June 30,

2012	\$	58,251
2013		63,809
2014		67,277
2015		70,934
2016		74,790
Thereafter		<u>1,764,939</u>
	\$	<u>2,100,000</u>

The Agency also has a maximum \$3,000,000 line of credit agreement with Beacon Federal Bank. Borrowings under the line bear interest at a rate equal to The Wall Street Journal Prime Rate (3.25% at June 30, 2011). The line of credit matured on May 15, 2011. Upon maturity, the line of credit was extended by the Bank without a written agreement. On August 12, 2011, the Agency renewed the agreement that matures on August 15, 2012 and is secured by substantially all assets of the Agency. The outstanding balance at June 30, 2011 was \$53,921 (\$1,452,674 at June 30, 2010).

Both the modified note and the line of credit place certain restrictions and limitations on the Agency, including maintenance of a specified debt service coverage ratio. As of June 30, 2011, the Agency was in compliance with this requirement.

Total interest expense incurred by the Agency was \$58,371 in 2011 and \$79,335 in 2010 and is included in occupancy expense for the notes payable, and bank fees and interest expense for the line of credit.



NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
United Way of Metropolitan Nashville:		
Designations	\$ 31,539	\$ 16,483
Outcome-based funding grants	84,097	86,744
Other United Ways/workplace campaigns	13,853	30,907
HCA Caring for the Community campaign	15,881	18,024
Donation for special event for the following year	3,500	7,923
Corporate and foundation grants - operational support for the following year:		
National AIDS Fund	-	30,878
Gilead Foundation	-	49,000
Enterprise Rent-a-Car	3,540	-
Starbucks Campaign	1,139	-
Major gift pledge	20,000	3,900
Religious contributions	5,388	2,600
	<u>\$ 178,937</u>	<u>\$ 246,459</u>

NOTE 8 - 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. During 2009, management 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. The matching contribution was temporarily suspended during 2010 and there were no employer contributions during the year. The match was resumed in July 2010 and the Agency contributed \$18,720 during 2011.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 9 - 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.

Contributions from two sources during year ended June 30, 2011 represented 33% of total contribution revenue.

The Agency maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of June 30, 2011, the Agency's depository accounts exceeded FDIC insurance limits by approximately \$366,000.

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. During 2011, the Foundation donated \$190,000 to the Agency to assist with costs of moving to a new facility. Since the Agency purchased a new facility during the year, the future purpose of the Foundation is under review at this time.

ADDITIONAL INFORMATION

NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

Program Name	Federal CFDA Number	Contract Number	Award Period	Award Amount	(Accrued) Deferred Revenue 7/1/2010	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2011
<b>DEPARTMENT OF HOMELAND SECURITY:</b>								
Emergency Food and Shelter Program-Nutrition	97.024	N/A	01-01-10 - 12-31-10	\$ 12,828	\$ 2,919	\$ 6,414	\$ 9,333	\$ -
Emergency Food and Shelter Program-Lodging	97.024	N/A	01-01-10 - 12-31-10	\$ 8,295	(52)	4,147	4,095	-
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>								
<b>PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:</b>								
Housing Opportunities for Persons with AIDS	14.241	GR-10-27607-00	07-01-09 - 06-30-10	\$ 36,100	(8,126)	8,126	-	-
Housing Opportunities for Persons with AIDS	14.241	GR-10-27607-01	07-01-10 - 06-30-11	\$ 45,100	-	39,953	45,100	(5,147)
<b>PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:</b>								
Housing Opportunities for Persons with AIDS	14.241	N/A	04-01-10 - 03-31-11	\$ 670,977	(94,721)	596,734	502,013	-
Housing Opportunities for Persons with AIDS	14.241	N/A	04-01-11 - 03-31-12	\$ 605,127	-	-	175,847	(175,847)
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>								
<b>PASSED THROUGH THE MIDDLE TENNESSEE REGIONAL COMMUNITY PLANNING GROUP IN COLLABORATION WITH THE UNITED WAY OF METROPOLITAN NASHVILLE:</b>								
HIV Prevention and Education	93.917*	N/A	01-01-10 - 12-31-10	\$ 227,000	(91,664)	211,727	120,063	-
HIV Prevention and Education	93.917*	N/A	01-01-11 - 12-31-11	\$ 227,000	-	-	119,226	(119,226)
<b>PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:</b>								
Centers for Disease Control - Counseling and Testing Services	93.940	GR-10-29222-00	10-01-09 - 09-30-10	\$ 340,000	(63,865)	176,911	113,046	-
Centers for Disease Control - Counseling and Testing Services	93.940	GR-11-34122-01	10-01-10 - 09-30-11	\$ 395,100	-	225,031	308,044	(83,013)
Ryan White CARE Act - Part B - Medical Care Management	93.917*	GR-09-27380-00	04-01-09 - 03-31-10	\$ 100,000	(5,595)	5,595	-	-
Ryan White CARE Act - Part B - Medical Care Management	93.917*	GR-10-32978-00	04-10-10 - 03-31-11	\$ 100,000	(27,095)	99,947	72,852	-
Ryan White CARE Act - Part B - Medical Care Management	93.917*	GR-11-34880-00	04-01-11 - 03-31-12	\$ 100,000	-	10,778	29,937	(19,159)
Ryan White CARE Act - Part B Insurance Assistance	93.917*	GR-09-25165-01	07-01-08 - 03-31-10	\$ 14,542,900	(929,586)	929,586	-	-
Ryan White CARE Act - Part B Insurance Assistance	93.917*	FA-10-30898-01	04-01-10 - 03-31-12	\$ 1,575,349	(158,161)	707,560	670,406	(121,007)
Ryan White CARE Act - Part B Insurance Assistance	93.917*	FA-10-30898-01	04-01-10 - 03-31-12	\$ 20,270,070	227,216	7,319,137	7,411,756	134,597
<b>PASSED THROUGH THE UNITED WAY OF METROPOLITAN NASHVILLE:</b>								
Ryan White CARE Act - Part B Care	93.917*	N/A	04-01-10 - 03-31-11	\$ 147,949	(66,782)	147,949	81,167	-
Ryan White CARE Act - Part B Care	93.917*	N/A	04-01-11 - 03-31-11	\$ 137,315	-	13,086	33,876	(20,790)
Ryan White CARE Act - Part B Dental Assistance	93.917*	N/A	04-01-10 - 03-31-11	\$ 298,600	(147,814)	298,600	150,786	-
Ryan White CARE Act - Part B Dental Assistance	93.917*	N/A	04-01-11 - 03-31-12	\$ 298,600	-	10,182	63,898	(53,716)

(continued on following page)



NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

Program Name	Federal CFDA Number	Contract Number	Award Period	Award Amount	(Accrued) Deferred Revenue 7/1/2010	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2011
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued):</b>								
<b>PASSED THROUGH THE UNITED WAY OF METROPOLITAN NASHVILLE (Continued):</b>								
Ryan White CARE Act - Part A Care	93.914	N/A	03-01-10 - 02-28-11	\$ 1,057,369	\$ (127,533)	\$ 896,647	\$ 769,114	\$ -
Ryan White CARE Act - Part A Care	93.914	N/A	03-01-11 - 02-28-12	\$ 1,079,582	-	191,267	374,788	(183,521)
Ryan White CARE Act - Part A Dental Assistance	93.914	N/A	03-01-10 - 02-28-11	\$ 673,706	(136,384)	465,769	329,385	-
Ryan White CARE Act - Part A Dental Assistance	93.914	N/A	03-01-11 - 02-28-12	\$ 442,782	-	51,935	167,932	(115,997)
Ryan White CARE Act - Part A Minority AIDS Initiatives Care	93.914	N/A	08-01-09 - 02-28-11	\$ 101,647	(7,670)	63,364	55,694	-
Ryan White CARE Act - Part A Minority AIDS Initiatives Care	93.914	N/A	03-01-11 - 02-28-12	\$ 73,442	-	12,278	24,520	(12,242)
Ryan White CARE Act - Part A Minority AIDS Initiatives Dental	93.914	N/A	12-01-09 - 02-28-11	\$ 108,267	-	131,397	131,397	-
<b>PASSED THROUGH THE COMPREHENSIVE CARE CENTER:</b>								
Ryan White CARE Act - Part D	93.153	2 H12 HA 23001-10	08-01-09 - 07-31-10	\$ 84,272	(25,667)	26,152	485	-
Ryan White CARE Act - Part D	93.153	5 H12 HA 23001-12	08-01-10 - 07-31-11	\$ 84,272	-	68,244	84,272	(16,028)
<b>PASSED THROUGH MEDICAL COLLEGE OF WISCONSIN:</b>								
National Institutes of Health - TWEET	93.242	1R01MH091875-01A1	08-01-10 - 01-31-11	\$ 31,012	-	27,076	27,076	-
National Institutes of Health - TWEET	93.242	5R01MH091875-02	02-01-11 - 01-31-12	\$ 59,231	-	11,456	18,464	(7,008)
<b>TOTAL OF EXPENDITURES OF FEDERAL AWARDS</b>					<b>\$ (1,660,580)</b>	<b>\$ 12,757,048</b>	<b>\$ 11,894,572</b>	<b>\$ (798,104)</b>

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

BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Nashville CARES and is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements. The 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	\$	722,960
93.153		84,757
93.914		1,852,830
93.917		8,753,967
93.940		421,090
97.024		13,428
93.242		45,540
	<b>\$</b>	<b>11,894,572</b>

OTHER REPORTS



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, 2011, and have issued our report thereon dated November 18, 2011. 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

Management of the Agency is responsible for establishing and maintaining effective 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 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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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*.

We noted certain matters that we reported to management of the Agency in a separate letter dated November 18, 2011.

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

A handwritten signature in black ink, appearing to read "K. J. CPAs P.L.L.C.", is written above the typed name.

Nashville, Tennessee  
November 18, 2011





INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 Nashville CARES' (the "Agency") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2011. 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 of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 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.

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 deficiencies, 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, federal awarding agencies, the State of Tennessee and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in black ink, appearing to read "K. J. CPAS PLLC".

Nashville, Tennessee  
November 18, 2011

NASHVILLE CARES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

**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? \_\_\_\_\_ 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 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>
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93.917	HIV Care Formula Grants
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Dollar threshold used to distinguish between type A and type B programs:

\$356,837

Auditee qualified as low-risk auditee?

  x   yes      \_\_\_\_\_ no