

NASHVILLE CARES

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION

AND

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2007

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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, 2007 and 2006, the related statements of activities and functional expenses for the year ended June 30, 2007, and the statements of cash flows for the years ended June 30, 2007 and 2006. 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, 2006 financial statements and, in our report dated December 1, 2006, 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, 2007 and 2006, the changes in its net assets for the year ended June 30, 2007, and its cash flows for the years ended June 30, 2007 and 2006, 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 October 10, 2007, 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.

KraftCPAs PLLC

Nashville, Tennessee
October 10, 2007

NASHVILLE CARES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 55,515	\$ 177,392
Accounts receivable	16,795	35,935
Grants receivable - Note 2	967,304	519,999
Contributions receivable - Note 3:		
Operating	222,696	208,243
20th Anniversary campaign	56,097	92,095
Prepaid expenses and other	48,158	62,807
Property and equipment - net - Note 4	1,445,558	1,481,662
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - Note 8	<u>18,183</u>	<u>16,309</u>
TOTAL ASSETS	<u>\$ 2,830,306</u>	<u>\$ 2,594,442</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 203,778	\$ 21,419
Checks issued in excess of deposits	71,019	-
Accrued payroll and compensated absences	45,664	44,656
Deferred revenue - Note 2	-	759
Note payable - Note 9	<u>1,072,752</u>	<u>1,293,127</u>
TOTAL LIABILITIES	<u>1,393,213</u>	<u>1,359,961</u>
<u>NET ASSETS</u>		
Unrestricted:		
Undesignated	708,610	627,990
Designated for property and equipment, less related debt	372,806	188,535
Designated for beneficial interest in agency endowment fund - Note 8	<u>18,183</u>	<u>16,309</u>
Total unrestricted	1,099,599	832,834
Temporarily restricted - Note 7	<u>337,494</u>	<u>401,647</u>
TOTAL NET ASSETS	<u>1,437,093</u>	<u>1,234,481</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,830,306</u>	<u>\$ 2,594,442</u>

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007, WITH COMPARATIVE SUMMARIZED INFORMATION FOR 2006

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>	<u>TOTALS</u>
			2007	2006
SUPPORT AND REVENUE				
Public Support:				
Individual gifts	\$ 176,888	\$ 73,959	\$ 250,847	\$ 469,974
United Way allocations	2,835	17,593	20,428	20,290
Special events	325,111	21,888	346,999	326,208
Government grants - federal, state and local	8,078,879	-	8,078,879	6,828,032
Foundation and corporate grants	105,502	157,658	263,160	282,208
Fees for services	70,828	-	70,828	71,504
Contracted services	-	-	-	73,553
Investment income	54,115	-	54,115	7,855
Miscellaneous	3,910	-	3,910	6,394
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - Note 8	2,674	-	2,674	2,804
Net assets released resulting from satisfaction of donor restrictions	335,251	(335,251)	-	-
TOTAL SUPPORT AND REVENUE	9,155,993	(64,153)	9,091,840	8,088,822
EXPENSES				
Program Services:				
Case management services	1,156,283	-	1,156,283	1,170,277
Emotional and practical support services	422,872	-	422,872	452,137
Educational services	340,146	-	340,146	373,647
Volunteer services	47,075	-	47,075	62,916
Dental and insurance assistance	5,892,111	-	5,892,111	4,740,155
Supporting Services:				
Management and general	686,583	-	686,583	541,996
Marketing	78,962	-	78,962	-
Fundraising	265,196	-	265,196	322,906
TOTAL EXPENSES	8,889,228	-	8,889,228	7,664,034
CHANGE IN NET ASSETS	266,765	(64,153)	202,612	424,788
NET ASSETS - BEGINNING OF YEAR	832,834	401,647	1,234,481	809,693
NET ASSETS - END OF YEAR	\$ 1,099,599	\$ 337,494	\$ 1,437,093	\$ 1,234,481

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 202,612	\$ 424,788
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	75,158	75,767
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - Note 8	(2,674)	(2,804)
Restricted contributions for capital campaign	-	(203,034)
(Increase) decrease in:		
Accounts receivable	19,140	(8,676)
Grant receivable	(447,305)	(30,947)
Contributions receivable - other	(14,453)	(5,849)
Contracts receivable	-	41,923
Prepaid expenses and other	14,649	(31,937)
Increase (decrease) in:		
Accounts payable	182,359	(39,074)
Checks issued in excess of deposits	71,019	(140,959)
Accrued payroll and compensated absences	1,008	6,095
Deferred revenue	(759)	759
NET ADJUSTMENTS	(101,858)	(338,736)
NET CASH PROVIDED BY OPERATING ACTIVITIES	100,754	86,052
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(39,054)	(22,864)
Distributions from agency endowment fund	800	700
NET CASH USED IN INVESTING ACTIVITIES	(38,254)	(22,164)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(220,375)	(36,806)
Capital campaign contributions collected	35,998	110,939
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(184,377)	74,133
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(121,877)	138,021
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	177,392	39,371
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 55,515	\$ 177,392
OTHER CASH FLOW DISCLOSURES		
Interest paid during the year	\$ 71,717	\$ 80,287

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2007, WITH COMPARATIVE SUMMARIZED INFORMATION FOR 2006

	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	FUNDRAISING	2007	2006
Salaries	\$ 575,556	\$ 189,340	\$ 195,826	\$ 36,709	\$ 223,432	\$ 294,251	\$ 11,693	\$ 156,766	\$ 1,683,573	\$ 1,635,483
Employee taxes and fringe benefits	130,717	45,847	46,774	6,144	56,457	58,183	3,360	32,370	379,852	349,780
TOTAL PAYROLL AND RELATED EXPENSES	706,273	235,187	242,600	42,853	279,889	352,434	15,053	189,136	2,063,425	1,985,263
Client assistance	355,410	163,695	31,510	-	5,581,433	-	-	-	6,132,048	5,023,599
Advertising	-	-	75	-	-	30	28,341	-	28,446	3,341
Audit	-	-	-	-	-	19,885	-	-	19,885	14,375
Bank fees	-	-	-	-	-	6,821	-	-	6,821	13,285
Conferences and training	296	214	5,472	-	3,825	7,336	-	3,175	20,318	17,647
Equipment rental and maintenance	-	-	-	-	-	5,836	-	-	5,836	5,370
Insurance	40	-	-	-	2,000	28,622	-	-	30,662	14,866
Licensure/permits	-	1,620	-	-	-	1,144	-	300	3,064	3,656
Memberships	-	810	100	65	-	17,415	-	425	18,815	12,255
Occupancy	24,461	11,504	7,919	2,746	9,400	80,379	817	5,306	142,532	148,854
Participation fees	12	-	145	-	-	2,679	-	-	2,836	2,081
Postage	3,726	556	3,846	114	7,256	919	2,695	2,458	21,570	17,887
Printing	3,111	395	6,170	59	472	11,041	10,064	399	31,711	49,651
Professional fees	-	20	179	562	3,000	27,920	21,691	3,041	56,413	36,538
Space rental	-	-	1,500	-	-	-	-	4,550	6,050	4,748
Special event production	-	-	-	-	-	-	-	53,443	53,443	68,554
Supplies	6,504	3,641	17,375	330	3,196	26,794	179	1,780	59,799	66,785
Telephone	10,087	2,555	3,740	346	1,626	16,313	122	1,096	35,885	31,617
Travel/mileage	46,363	2,675	12,654	-	14	109	-	87	61,902	61,099
Volunteer incentives/remuneration	-	-	6,861	-	-	-	-	-	6,861	-
Van upkeep/gasoline	-	-	-	-	-	4,636	-	-	4,636	-
Miscellaneous	-	-	-	-	-	1,112	-	-	1,112	6,796
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	1,156,283	422,872	340,146	47,075	5,892,111	611,425	78,962	265,196	8,814,070	7,588,267
Depreciation on furniture and equipment	-	-	-	-	-	75,158	-	-	75,158	75,767
TOTAL FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2007	\$ 1,156,283	\$ 422,872	\$ 340,146	\$ 47,075	\$ 5,892,111	\$ 686,583	\$ 78,962	\$ 265,196	\$ 8,889,228	
TOTAL FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2006	\$ 1,170,277	\$ 452,137	\$ 373,647	\$ 62,916	\$ 4,740,155	\$ 541,996	\$ -	\$ 322,906		\$ 7,664,034

See accompanying notes to financial statements.

NASHVILLE CARES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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"), the Metropolitan Development and Housing Agency, the Tennessee Department of Health ("TDH"), United Way of Metropolitan Nashville, the United Way of the MidSouth, designated donations through United Way of Metropolitan Nashville, from other United Way agencies, and from individual, foundation and corporate donors.

Basis of presentation

The financial statements of the Agency have been prepared on the accrual basis of accounting in accordance 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 in perpetuity 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, 2007 or 2006.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash equivalents

Cash equivalents include demand deposits with banks, money market funds and time deposits with original maturities when purchased of three months or less.

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. Depreciation is calculated by the straight-line method to allocate the cost of depreciable assets, as so determined, to operations over estimated useful lives of five years for vehicles, software, furniture and equipment, and forty years for building and building improvements. The Agency capitalizes purchases with a cost of \$1,000 or more and an expected useful life greater than one year.

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 activity, 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.

The Agency's practice is to report revenue and support whose restrictions are met in the same reporting period as unrestricted revenue. All other donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (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 absent any explicit donor restrictions as to 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, 2007

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 400 volunteers that work in all areas of the Agency.

Dental and insurance assistance - financial assistance for the payment of dental care and/or medical insurance premiums and/or medical and prescription deductibles and co-payments of persons with HIV/AIDS throughout a 39-county area in Middle Tennessee and Upper Cumberland and a 3-county area in Southwest Tennessee.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services (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.

Fundraising - 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.

Reclassifications

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

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

NOTE 2 - GRANTS RECEIVABLE AND DEFERRED REVENUE

Grants receivable consist of the following as of June 30:

	<u>2007</u>	<u>2006</u>
DHS - Emergency Food and Shelter Program	\$ 2,740	\$ 2,151
HUD - Supportive Housing Program - Outpatient Substance Abuse	-	381
HUD - Housing Opportunities for People with AIDS (HOPWA)	133,485	117,706
CDC - HIV Prevention and Education	17,880	15,178
CDC - Minority Initiatives HIV Prevention	1,900	1,334
Ryan White CARE Act - Title 2 Care - Medical Care Management	11,799	9,614
Ryan White CARE Act - Title 2 Care	35,031	18,289
Ryan White CARE Act - Title 2 Care - Dental Assistance - Middle Tennessee	56,148	21,213
Ryan White CARE Act - Title 1 Care	118,808	48,583
Ryan White CARE Act - Title 1 Care - Dental Assistance - Middle Tennessee	28,565	8,564
Ryan White CARE Act - Title 2 - Insurance Assistance - Middle Tennessee	327,917	117,982
Ryan White CARE Act - Title 2 Care - Dental Assistance - Southwest Tennessee	33,423	10,385
Ryan White CARE Act - Title 2 Emerging Communities - Dental Assistance - Southwest Tennessee	-	11,795
Ryan White CARE Act - Title 2 - Insurance Assistance - Southwest Tennessee	183,530	120,724
Ryan White CARE Act - Title IV	<u>16,078</u>	<u>16,100</u>
	<u>\$ 967,304</u>	<u>\$ 519,999</u>

Deferred revenue consists of the following as of June 30:

	<u>2007</u>	<u>2006</u>
DHS - Emergency Food and Shelter Program	<u>\$ -</u>	<u>\$ 759</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	<u>2007</u>	<u>2006</u>
Temporarily restricted:		
Less than one year	\$ 278,793	\$ 276,115
One to five years	<u>-</u>	<u>24,223</u>
Total	<u>\$ 278,793</u>	<u>\$ 300,338</u>

Pledges receivable are classified as follows at June 30:

	<u>2007</u>	<u>2006</u>
Operating	\$ 222,696	\$ 208,243
20th Anniversary campaign	<u>56,097</u>	<u>92,095</u>
	<u>\$ 278,793</u>	<u>\$ 300,338</u>

The Agency's 20th Anniversary capital campaign is to raise funds for operations and to pay down the debt owed on the building. The goal of the campaign is to raise \$1,000,000 by December 2008. Outstanding pledge receivables from board members at June 30, 2007 and 2006, amounted to approximately \$16,000 and \$27,000, respectively.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2007</u>	<u>2006</u>
Land	\$ 257,850	\$ 257,850
Building	1,092,150	1,092,150
Building improvements	107,284	94,779
Vehicles	4,125	4,125
Software	58,259	58,259
Furniture and equipment	<u>222,932</u>	<u>198,478</u>
	1,742,600	1,705,641
Less accumulated depreciation	<u>(297,042)</u>	<u>(223,979)</u>
	<u>1,445,558</u>	<u>1,481,662</u>

Fully depreciated assets at June 30, 2007 amounted to approximately \$123,000 (\$69,000 at June 30, 2006).

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

NOTE 5 - EMPLOYEE BENEFIT PLAN

The Agency sponsors a Section 403(b) retirement plan. 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 3% of each eligible employee's compensation. Employees are eligible to participate in the plan after two years of service. Total employer contributions to the plan were \$14,010 in 2007 (\$11,801 in 2006).

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 federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000. In management's opinion, the risk is mitigated by the use of high quality financial institutions.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2007</u>	<u>2006</u>
United Way of Metropolitan Nashville:		
Designations	\$ 38,779	\$ 49,638
Outcome-based funding grants:		
CARE-A-Van Cuisine Home Meals Delivery program	17,490	17,490
Alcohol and Drug Abuse Treatment program	36,840	37,334
HEARTline program	17,249	17,248
CARE Team program	23,314	20,632
Mental Health Services	25,000	25,328
Case Management Services	16,265	16,482
United Way of Williamson County	8,000	8,000
United Way of Sumner County	5,593	6,000
United Way of Robertson County	4,000	4,000
Altria - donation for nutritional programs	-	10,000
Donation for special event for the following year	21,886	10,181
Corporate and foundation grants - operational support		
for the following year	25,250	15,000
Major gift pledge	1,000	-
Building Fund - paydown of building debt	40,731	71,719
20th Anniversary campaign fund	<u>56,097</u>	<u>92,095</u>
	<u>\$ 337,494</u>	<u>\$ 401,147</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

NOTE 8 - AGENCY ENDOWMENT FUND

The Agency has a beneficial interest in the Nashville CARES Endowment 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, 2007 and 2006, follows:

	<u>2007</u>	<u>2006</u>
Balance - beginning of year	\$ 16,309	\$ 14,205
Change in value of beneficial interest in agency endowment fund:		
Contributions to the fund	20	1,400
Investment income (loss)	2,766	1,505
Administrative expenses	<u>(112)</u>	<u>(101)</u>
	2,674	2,804
Distributions to the Agency	<u>(800)</u>	<u>(700)</u>
Balance - end of year	<u>\$ 18,183</u>	<u>\$ 16,309</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

NOTE 9 - DEBT

On September 30, 2004, the Agency entered into a \$1,350,000 Loan Agreement with Beacon Federal Bank. The note is secured by a deed of trust on the Agency's real estate and is payable in bi-weekly installments of \$4,503. The note accrues interest at the rate of 6.05% per annum through December 1, 2009. On December 1, 2009, the rate will be readjusted to the then prevailing Federal Home Loan Bank of New York five-year rate plus 2% per annum and readjusted thereafter at each five-year interval.

A schedule of future principal maturities on the loan as of June 30, 2007, follows:

Year ending June 30,

2008	\$ 41,593
2009	44,214
2010	47,000
2011	49,961
2012	53,109
Thereafter	<u>836,875</u>
	<u>\$ 1,072,752</u>

The loan agreement, as amended, also provides for a \$1,000,000 unsecured line of credit. Borrowings under the line bear interest at a rate equal to The Wall Street Journal Prime Rate. The line of credit matures June 15, 2008. The outstanding balance at June 30, 2007 was \$-0-.

Total interest expense incurred by the Agency was \$71,717 in 2007 and \$80,287 in 2006 and is included in occupancy expense.

ADDITIONAL INFORMATION

NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2007

Program Name	Federal CFDA Number	Contract Number	Award Period	Award Amount	(Accrued) Deferred Revenue 7/1/2006	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2007
<u>DEPARTMENT OF HOMELAND SECURITY:</u>								
Emergency Food and Shelter Program-Nutrition	83.523	N/A	11-1-05 - 10-31-06	\$ 9,200	(2,151)	4,600	2,449	-
Emergency Food and Shelter Program-Lodging	83.523	N/A	11-1-05 - 10-31-06	\$ 2,980	759	1,490	2,249	-
Emergency Food and Shelter Program-Nutrition	83.523	N/A	11-1-06 - 10-31-07	\$ 9,200	-	4,600	6,123	(1,523)
Emergency Food and Shelter Program-Lodging	83.523	N/A	11-1-06 - 10-31-07	\$ 4,805	-	2,383	3,600	(1,217)
TOTAL CFDA 83.523					(1,392)	13,073	14,421	(2,740)
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>								
Supportive Housing Program - Outpatient Substance Abuse Treatment (inc transportation)	14.235	TN37B504014	07-01-06 - 06-30-07	\$ 58,165	(381)	58,546	58,165	-
TOTAL CFDA 14.235					(381)	58,546	58,165	-
<u>PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:</u>								
Housing Opportunities for Persons with AIDS	14.241	GR-07-17921-00	07-01-06 - 06-30-07	\$ 28,000	(12,271)	39,257	28,000	(1,014)
<u>PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:</u>								
Housing Opportunities for Persons with AIDS	14.241	N/A	04-01-06 - 03-31-07	\$ 487,266	(105,435)	480,774	375,339	-
Housing Opportunities for Persons with AIDS	14.241	N/A	04-01-07 - 03-31-08	\$ 511,854	-	-	132,471	(132,471)
TOTAL CFDA 14.241					(117,706)	520,031	535,810	(133,485)
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>								
<u>PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:</u>								
<u>PASSED THROUGH THE MIDDLE TENNESSEE: REGIONAL ADVISORY COMMITTEE IN COLLABORATION WITH THE UNITED WAY OF METROPOLITAN NASHVILLE:</u>								
HIV Prevention and Education	93.944	N/A	01-01-06 - 12-31-06	\$ 184,110	(15,178)	121,894	106,716	-
HIV Prevention and Education	93.944	N/A	01-01-07 - 12-31-07	\$ 184,110	-	68,812	86,692	(17,880)
Minority Initiatives HIV Prevention	93.944	N/A	01-01-06 - 12-31-06	\$ 18,000	(1,334)	11,127	9,793	-
Minority Initiatives HIV Prevention	93.944	N/A	01-01-07 - 12-31-07	\$ 18,000	-	8,745	10,645	(1,900)
TOTAL CFDA 93.944					(16,512)	210,578	213,846	(19,780)
<u>PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:</u>								
Ryan White CARE Act - Title 2 Care - Medical Care Management	93.917*	GR-06-17775-00	04-01-06 - 03-31-07	\$ 100,000	(9,614)	88,600	78,986	-
Ryan White CARE Act - Title 2 Care - Medical Care Management	93.917*	GR-07-20248-00	04-01-07 - 03-31-08	\$ 100,000	-	15,254	27,053	(11,799)

(continued on following page)

NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

Program Name	Federal CFDA Number	Contract Number	Award Period	Award Amount	(Accrued) Deferred Revenue 7/1/2006	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2007
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES: (Continued)</u>								
<u>PASSED THROUGH THE UNITED WAY OF METROPOLITAN NASHVILLE:</u>								
Ryan White CARE Act - Title 2 Care	93.917*	N/A	04-01-06 - 03-31-07	\$ 179,362	(18,289)	150,218	131,929	-
Ryan White CARE Act - Title 2 Care	93.917*	N/A	04-01-07 - 03-31-08	\$ 100,000	-	13,438	48,469	(35,031)
Ryan White CARE Act - Title 2 Care - Dental Assistance	93.917*	N/A	04-01-06 - 03-31-07	\$ 304,387	(21,213)	283,690	262,478	-
Ryan White CARE Act - Title 2 Care - Dental Assistance	93.917*	N/A	04-01-07 - 03-31-08	\$ 304,387	-	5,977	62,125	(56,148)
Ryan White CARE Act - Title 2 Emerging Communities	93.917*	N/A	04-01-06 - 03-31-07	\$ 481,741	(48,583)	407,064	358,481	-
Ryan White CARE Act - Title 1 Care	93.917*	N/A	04-01-07 - 03-31-08	\$ 475,546	-	-	118,808	(118,808)
Ryan White CARE Act - Title 2 - Emerging Communities Dental Assistance	93.917*	N/A	04-01-06 - 03-31-07	\$ 231,501	(8,564)	226,271	217,707	-
Ryan White CARE Act - Title 1 Care - Emerging Communities Dental Assistance	93.917*	N/A	04-01-07 - 03-31-08	\$ 191,501	-	-	28,565	(28,565)
Ryan White CARE Act - Title 2 - Insurance Assistance	93.917*	N/A	04-01-06 - 03-31-07	\$ 3,896,535	(117,982)	3,710,291	3,592,309	-
Ryan White CARE Act - Title 2 - Insurance Assistance	93.917*	N/A	04-01-07 - 03-31-08	\$ 3,896,535	-	117,430	445,347	(327,917)
<u>PASSED THROUGH THE UNITED WAY OF MIDSOUTH:</u>								
Ryan White CARE Act - Title 2 Care - Dental Assistance	93.917*	N/A	04-01-06 - 03-31-07	\$ 144,574	(10,385)	133,612	123,227	-
Ryan White CARE Act - Title 2 Care - Dental Assistance	93.917*	N/A	04-01-07 - 03-31-08	\$ 130,100	-	37,572	70,995	(33,423)
Ryan White CARE Act - Title 2 - Emerging Communities Dental Assistance	93.917*	N/A	04-01-06 - 03-31-07	\$ 137,795	(11,795)	128,503	116,708	-
Ryan White CARE Act - Title 2 - Insurance Assistance	93.917*	N/A	04-01-06 - 03-31-07	\$ 1,659,000	(120,724)	1,366,419	1,245,695	-
Ryan White CARE Act - Title 2 - Insurance Assistance	93.917*	N/A	04-01-07 - 03-31-08	\$ 1,529,100	-	65,062	248,592	(183,530)
TOTAL CFDA 93.917					(367,149)	6,749,401	7,177,474	(795,221)
<u>PASSED THROUGH THE COMPREHENSIVE CARE CENTER:</u>								
Ryan White CARE Act - Title IV	93.153	1 H12 HA 23001-03	08-01-05 - 07-31-06	\$ 94,273	(16,100)	24,236	8,136	-
Ryan White CARE Act - Title IV	93.153		08-01-06 - 07-31-07	\$ 94,273	-	53,950	70,028	(16,078)
TOTAL CFDA 93.153					(16,100)	78,186	78,164	(16,078)
TOTAL OF EXPENDITURES OF FEDERAL AWARDS					(519,240)	7,629,815	8,077,880	(967,304)
<u>BASIS OF PRESENTATION</u>								

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

This schedule includes the federal grant activity of Nashville CARES, and is presented 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*.