

NASHVILLE CARES

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION

AND

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2008

NASHVILLE CARES  
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FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
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INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2008

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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, 2008 and 2007, the related statements of activities and functional expenses for the year ended June 30, 2008, and the statements of cash flows for the years ended June 30, 2008 and 2007. 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, 2007 financial statements and, in our report dated October 10, 2007, 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, 2008 and 2007, the changes in its net assets for the year ended June 30, 2008, and its cash flows for the years ended June 30, 2008 and 2007, 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 January 8, 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.



Nashville, Tennessee  
January 8, 2009

NASHVILLE CARES  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 26,354	\$ 14,678
Accounts receivable	14,068	16,795
Grants receivable - Note 2	1,745,492	967,304
Contributions receivable - Note 3:		
United Way	141,737	192,533
HCA Caring for the Community	9,620	-
Other workplace campaign	4,466	-
Anniversary campaign	11,050	56,097
Major gifts receivable	2,050	1,000
Special events receivable	19,650	13,913
Other	37,413	15,250
Prepaid expenses and other	23,983	48,158
Property and equipment - net - Note 4	1,401,974	1,445,558
Cash - building fund	1,553	40,837
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - Note 8	<u>16,916</u>	<u>18,183</u>
TOTAL ASSETS	<u>\$ 3,456,326</u>	<u>\$ 2,830,306</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Checks issued in excess of deposits	\$ 468,384	\$ 71,019
Accounts payable	272,856	203,778
Accrued payroll and compensated absences	71,407	45,664
Line of credit - Note 9	389,151	-
Note payable - Note 9	<u>936,863</u>	<u>1,072,752</u>
TOTAL LIABILITIES	<u>2,138,661</u>	<u>1,393,213</u>
<u>NET ASSETS</u>		
Unrestricted:		
Undesignated	609,609	708,610
Designated for property and equipment, less related debt	465,111	372,806
Designated for beneficial interest in agency endowment fund - Note 8	<u>16,916</u>	<u>18,183</u>
Total unrestricted	1,091,636	1,099,599
Temporarily restricted - Note 7	<u>226,029</u>	<u>337,494</u>
TOTAL NET ASSETS	<u>1,317,665</u>	<u>1,437,093</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,456,326</u>	<u>\$ 2,830,306</u>

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008, WITH COMPARATIVE SUMMARIZED INFORMATION FOR 2007

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>	<u>2008</u>	<u>2007</u>
<b>PUBLIC SUPPORT AND REVENUE</b>					
Public Support:					
Individual gifts	\$ 25,355	\$ -	\$ 25,355	\$ 21,101	
Major gifts	59,698	2,300	61,998	121,657	
United Way designations	-	57,551	57,551	49,003	
HCA Caring for the Community designations	2,159	16,393	18,552	-	
Other workplace campaign designations	14,421	6,025	20,446	5,037	
Religious gifts	13,057	5,000	18,057	23,618	
Building fund contributions	7,079	-	7,079	30,431	
United Way allocations	5,455	-	5,455	20,428	
Special events	355,070	19,150	374,220	346,999	
Government grants	8,826,019	-	8,826,019	8,078,879	
Foundation and corporate grants	155,008	132,369	287,377	263,160	
Total Public Support	9,463,321	238,788	9,702,109	8,960,313	
Investment income	5,046	-	5,046	54,115	
Other revenue	57,758	-	57,758	74,738	
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - Note 8	(367)	-	(367)	2,674	
Net assets released resulting from satisfaction of donor restrictions	350,253	(350,253)	-	-	
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>9,876,011</u>	<u>(111,465)</u>	<u>9,764,546</u>	<u>9,091,840</u>	
<b>EXPENSES</b>					
Program Services:					
Case management services	1,100,899	-	1,100,899	1,050,610	
Emotional and practical support services	696,433	-	696,433	528,545	
Educational services	493,619	-	493,619	340,146	
Volunteer services	41,671	-	41,671	47,075	
Dental and insurance assistance	6,311,804	-	6,311,804	5,892,111	
Supporting Services:					
Management and general	859,232	-	859,232	686,583	
Marketing	77,315	-	77,315	78,962	
Fund development	303,001	-	303,001	265,196	
<b>TOTAL EXPENSES</b>	<u>9,883,974</u>	<u>-</u>	<u>9,883,974</u>	<u>8,889,228</u>	
<b>CHANGE IN NET ASSETS</b>	(7,963)	(111,465)	(119,428)	202,612	
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,099,599</u>	<u>337,494</u>	<u>1,437,093</u>	<u>1,234,481</u>	
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,091,636</u>	<u>\$ 226,029</u>	<u>\$ 1,317,665</u>	<u>\$ 1,437,093</u>	

See accompanying notes to financial statements.

NASHVILLE CARES  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (119,428)	\$ 202,612
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	75,313	75,158
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - Note 8	367	(2,674)
Loss on disposal of property and equipment	18,325	-
Bad debt	7,925	-
(Increase) decrease in:		
Accounts receivable	2,727	19,140
Grant receivable	(778,188)	(447,305)
Contributions receivable	7,760	(14,453)
Prepaid expenses and other	24,175	14,649
Increase (decrease) in:		
Checks issued in excess of deposits	397,365	71,019
Accounts payable	69,078	182,359
Accrued payroll and compensated absences	25,743	1,008
Deferred revenue	-	(759)
NET ADJUSTMENTS	<u>(149,410)</u>	<u>(101,858)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(268,838)</u>	<u>100,754</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(50,054)	(39,054)
Distributions from agency endowment fund	900	800
NET CASH USED IN INVESTING ACTIVITIES	<u>(49,154)</u>	<u>(38,254)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(135,889)	(220,375)
Line of credit draws	5,195,351	1,006,492
Line of credit payments	(4,806,200)	(1,006,492)
Capital campaign contributions collected	37,122	35,998
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>290,384</u>	<u>(184,377)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,608)	(121,877)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>55,515</u>	<u>177,392</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 27,907</u>	<u>\$ 55,515</u>
OTHER CASH FLOW DISCLOSURES		
Interest paid during the year	<u>\$ 82,198</u>	<u>\$ 71,717</u>

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2008, WITH COMPARATIVE SUMMARIZED INFORMATION FOR 2007

	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	
Salaries	\$ 555,266	\$ 280,320	\$ 321,455	\$ 33,174	\$ 219,741	\$ 383,969	\$ 19,176	\$ 183,967	\$ 1,997,068
Employee taxes and fringe benefits	138,911	61,807	72,282	6,117	55,376	78,666	4,156	38,727	456,042
<b>TOTAL PAYROLL AND RELATED EXPENSES</b>	<b>694,177</b>	<b>342,127</b>	<b>393,737</b>	<b>39,291</b>	<b>275,117</b>	<b>462,635</b>	<b>23,332</b>	<b>222,694</b>	<b>2,453,110</b>
Client assistance	301,978	309,353	16,959	-	5,975,445	-	-	-	6,603,735
Advertising	-	-	-	-	-	-	16,629	-	16,629
Audit	-	-	-	-	-	18,350	-	-	18,350
Bank fees	-	-	-	-	-	30,633	-	-	30,633
Conferences and training	359	1,174	6,546	-	1,106	5,337	-	1,103	15,625
Equipment rental and maintenance	-	-	-	-	-	10,108	-	-	10,108
Insurance	-	-	-	-	-	30,619	-	-	30,662
Licensure/permits	-	1,020	150	-	-	1,293	-	320	2,783
Memberships	-	30	100	15	-	16,752	-	165	17,062
Occupancy	16,665	12,983	8,739	2,042	6,988	79,260	607	11,733	139,017
Participation fees	636	-	175	-	-	1,740	2,400	10	4,961
Postage	1,330	3,949	2,062	91	8,468	2,129	2,813	4,269	25,111
Printing	1,376	1,206	4,046	39	847	6,958	8,832	217	23,521
Professional fees	-	252	2,404	-	15,250	47,816	21,963	5,900	93,585
Space rental	656	915	1,875	-	-	-	-	-	3,446
Special event production	-	-	-	-	-	-	-	52,072	52,072
Supplies	34,055	19,391	33,196	193	27,281	43,371	733	4,023	162,243
Telephone	6,136	1,125	3,248	-	180	20,004	-	364	31,057
Travel/mileage	43,531	2,908	16,249	-	1,122	347	6	131	64,294
Volunteer incentives/remuneration	-	-	4,133	-	-	-	-	-	4,133
Van upkeep/gasoline	-	-	-	-	-	3,846	-	-	3,846
Miscellaneous	-	-	-	-	-	2,721	-	-	2,721
<b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b>	<b>1,100,899</b>	<b>696,433</b>	<b>493,619</b>	<b>41,671</b>	<b>6,311,804</b>	<b>783,919</b>	<b>77,315</b>	<b>303,001</b>	<b>9,808,661</b>
Depreciation on furniture and equipment	-	-	-	-	-	75,313	-	-	75,313
<b>TOTAL FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2008</b>	<b>\$ 1,100,899</b>	<b>\$ 696,433</b>	<b>\$ 493,619</b>	<b>\$ 41,671</b>	<b>\$ 6,311,804</b>	<b>\$ 859,232</b>	<b>\$ 77,315</b>	<b>\$ 303,001</b>	<b>\$ 9,883,974</b>
<b>TOTAL FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2007</b>	<b>\$ 1,050,610</b>	<b>\$ 528,545</b>	<b>\$ 340,146</b>	<b>\$ 47,075</b>	<b>\$ 5,892,111</b>	<b>\$ 686,583</b>	<b>\$ 78,962</b>	<b>\$ 265,196</b>	<b>\$ 8,889,228</b>

See accompanying notes to financial statements.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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, United Way of Middle Tennessee, the United Way of the MidSouth, and Legal Services of West Tennessee, designated donations through United Way of Middle Tennessee, from other United Way agencies, and from individual, foundation and corporate donors.

Basis of presentation

The accompanying financial statements present the financial position and operations 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, 2008 or 2007.



NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2008

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, a 3-county area in Southwest Tennessee and 17 counties in West Tennessee.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008

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.

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.

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, 2008

NOTE 2 - GRANTS RECEIVABLE

Grants receivable consisted of the following as of June 30:

	<u>2008</u>	<u>2007</u>
DHS - Emergency Food and Shelter Program	\$ 2,388	\$ 2,740
HUD - Housing Opportunities for Persons with AIDS (HOPWA)	155,503	133,485
CDC - HIV Prevention and Education	49,262	17,880
CDC - Minority Initiatives HIV Prevention	-	1,900
CDC - Counseling and Testing Services	5,206	-
Ryan White CARE Act - Part B - Medical Care Management	8,373	11,799
Ryan White CARE Act - Part B Care Middle Tennessee	57,899	38,617
Ryan White CARE Act - Part B Dental Assistance Middle Tennessee	24,393	56,148
Ryan White CARE Act - Part A Care Nashville Transitional Grant Area (TGA)	115,961	115,222
Ryan White CARE Act - Part A Dental Assistance Nashville TGA	165,338	28,565
Ryan White CARE Act - Part B Insurance Assistance Middle Tennessee	848,013	327,917
Ryan White CARE Act - Part A Minority AIDS Initiative Nashville TGA	9,202	-
Ryan White CARE Act - Part B Dental Assistance Southwest Tennessee	9,364	33,423
Ryan White CARE Act - Part A Dental Assistance Memphis TGA	102,112	-
Ryan White CARE Act - Part B Insurance Assistance Southwest Tennessee	122,524	183,530
Ryan White CARE Act - Part B Insurance Assistance West Tennessee	53,306	-
Ryan White CARE Act - Title IV	<u>16,648</u>	<u>16,078</u>
	<u>\$ 1,745,492</u>	<u>\$ 967,304</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008

NOTE 3 - CONTRIBUTIONS RECEIVABLE

All contributions receivable at June 30, 2008 and 2007 are temporarily restricted and due in less than one year.

The Agency's 20<sup>th</sup> 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, 2008 and 2007, amounted to approximately \$4,000 and \$16,000, respectively.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2008</u>	<u>2007</u>
Land	\$ 257,850	\$ 257,850
Building	1,092,150	1,092,150
Building improvements	120,958	107,284
Vehicles	4,125	4,125
Software	59,659	58,259
Furniture and equipment	<u>191,457</u>	<u>222,932</u>
	1,726,199	1,742,600
Less accumulated depreciation	<u>(324,225)</u>	<u>(297,042)</u>
	<u>\$ 1,401,974</u>	<u>\$ 1,445,558</u>

Fully depreciated assets at June 30, 2008 amounted to approximately \$115,000 (\$123,000 at June 30, 2007).

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 \$19,109 in 2008 (\$14,010 in 2007).

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. As of June 30, 2008, there were no cash accounts in excess of the FDIC insured amounts.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2008</u>	<u>2007</u>
United Way of Metropolitan Nashville:		
Designations	\$ 49,845	\$ 38,779
Outcome-based funding grants	91,893	136,158
Other United Ways/workplace campaigns	4,466	17,593
HCA Caring for the Community campaign	9,620	-
Donation for special event for the following year	19,650	21,886
Corporate and foundation grants - operational support for the following year	34,955	21,500
Major gift pledge	2,050	1,000
Building Fund - paydown of building debt	-	40,731
20th Anniversary campaign fund	11,050	56,097
Religious contributions	2,500	3,750
	<u>\$ 226,029</u>	<u>\$ 337,494</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008

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, 2008 and 2007, follows:

	<u>2008</u>	<u>2007</u>
Balance - beginning of year	\$ 18,183	\$ 16,309
Change in value of beneficial interest in agency endowment fund:		
Contributions to the fund	335	20
Investment income (loss)	(589)	2,766
Administrative expenses	<u>(113)</u>	<u>(112)</u>
	(367)	2,674
Distributions to the Agency	<u>(900)</u>	<u>(800)</u>
Balance - end of year	<u>\$ 16,916</u>	<u>\$ 18,183</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008

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 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.

The agreement places certain restrictions and limitations on the Agency, including maintenance of a specified cash flow coverage ratio. As of June 30, 2008, the Agency was not in compliance with this requirement, as to which the bank has granted a waiver through July 1, 2009.

A schedule of future principal maturities on the loan as of June 30, 2008, follows:

Year ending June 30,

2009	\$	63,032
2010		66,129
2011		70,249
2012		74,625
2013		79,273
Thereafter		<u>583,555</u>
	<u>\$</u>	<u>936,863</u>

The Agency has another agreement with Beacon Federal Bank 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 matures November 15, 2009. The outstanding balance at June 30, 2008 was \$389,151 (\$-0- at June 30, 2007).

A second line of credit is maintained with another bank in the amount of \$100,000. Interest on outstanding borrowings was charged at the prime rate, plus 1.5%. There was no outstanding balance on this line of credit as of June 30, 2008 or 2007. The line matured September 2, 2008 and was not renewed.

Total interest expense incurred by the Agency was \$82,198 in 2008 and \$71,717 in 2007 and is included in occupancy expense.



NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008

NOTE 10 - OTHER MATTERS

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, are in the initial stages of forming a new foundation. This foundation will exist primarily to purchase and operate a common facility shared by the two agencies, at which time the Agency intends to sell its current operating facility.

NOTE 11 - RECENT ACCOUNTING PRONOUNCEMENTS

In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*, which is effective for fiscal years beginning after December 15, 2008. FIN 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 the decision whether to file in a particular jurisdiction. The cumulative effect of changes arising from the initial application of FIN 48 is required to be reported as an adjustment to the opening balance of net assets in the period of adoption.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (FAS-157), *Fair Value Measurements*. FAS-157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FAS-157 are effective for the Agency for fiscal years beginning after November 15, 2007.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (FAS-159), *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. The fair value option established by FAS-159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in operations at each subsequent reporting date. FAS-159 is effective for the Agency for fiscal years beginning after November 15, 2007.

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

## ADDITIONAL INFORMATION

NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2008

Program Name	Federal CFDA Number	Contract Number	Award Period	Award Amount	(Accrued) Deferred Revenue 7/1/2007	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2008
<u>DEPARTMENT OF HOMELAND SECURITY:</u>								
Emergency Food and Shelter Program-Nutrition	97.024	N/A	11-1-06 - 10-31-07	\$ 9,200	\$ (1,523)	\$ 4,600	\$ 3,077	\$ -
Emergency Food and Shelter Program-Nutrition	97.024	N/A	11-1-07 - 10-31-08	\$ 9,200	-	4,600	6,430	(1,830)
Emergency Food and Shelter Program-Lodging	97.024	N/A	11-1-06 - 10-31-07	\$ 4,805	(1,217)	1,092	(125)	-
Emergency Food and Shelter Program-Lodging	97.024	N/A	11-1-07 - 10-31-08	\$ 10,787	-	5,394	5,952	(558)
TOTAL CFDA 97.024					(2,740)	15,686	15,334	(2,388)
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>								
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	(1,014)	29,042	28,400	(372)
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:								
Housing Opportunities for Persons with AIDS	14.241	N/A	04-01-07 - 03-31-08	\$ 511,854	(132,471)	511,844	379,373	-
Housing Opportunities for Persons with AIDS	14.241	N/A	04-01-08 - 03-31-09	\$ 511,844	-	-	155,131	(155,131)
TOTAL CFDA 14.241					(133,485)	540,886	562,904	(155,503)
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>								
PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:								
PASSED THROUGH THE MIDDLE TENNESSEE REGIONAL ADVISORY COMMITTEE IN COLLABORATION WITH THE UNITED WAY OF MIDDLE TENNESSEE:								
HIV Prevention and Education	93.944	N/A	01-01-07 - 12-31-07	\$ 184,110	(17,880)	115,298	97,418	-
HIV Prevention and Education	93.944	N/A	01-01-08 - 12-31-08	\$ 218,673	-	43,314	92,576	(49,262)
Minority Initiatives HIV Prevention	93.944	N/A	01-01-07 - 12-31-07	\$ 18,000	(1,900)	9,255	7,355	-
Minority Initiatives HIV Prevention	93.944	N/A	01-01-08 - 03-31-08	\$ 5,816	-	5,816	5,816	-
TOTAL CFDA 93.944					(19,780)	173,683	203,165	(49,262)
Centers for Disease Control-Counseling and Testing Services	93.940	N/A	01-01-08 - 09-30-08	\$ 48,900	-	28,191	33,397	(5,206)
TOTAL CFDA 93.940					-	28,191	33,397	(5,206)
PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:								
Ryan White CARE Act - Part B - Medical Care Management	93.917*	GR-07-20248-00	04-01-07 - 03-31-08	\$ 100,000	(11,799)	84,746	72,947	-
Ryan White CARE Act - Part B - Medical Care Management	93.917*	GR-08-24028-00	04-01-08 - 03-31-09	\$ 100,000	-	19,449	27,822	(8,373)
PASSED THROUGH THE UNITED WAY OF MIDDLE TENNESSEE:								
Ryan White CARE Act - Part B Care	93.917*	N/A	04-01-07 - 03-31-08	\$ 185,559	(38,617)	175,707	137,090	-
Ryan White CARE Act - Part B Care	93.917*	N/A	04-01-08 - 03-31-09	\$ 223,289	-	-	57,899	(57,899)
Ryan White CARE Act - Part B Dental Assistance	93.917*	N/A	04-01-07 - 03-31-08	\$ 254,356	(56,148)	248,379	192,231	-
Ryan White CARE Act - Part B Dental Assistance	93.917*	N/A	04-01-08 - 03-31-09	\$ 298,662	-	-	24,393	(24,393)

(continued on following page)

NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2008

Program Name	Federal CFDA Number	Contract Number	Award Period	Award Amount	(Accrued) Deferred Revenue 7/1/2007	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2008
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES: (Continued)</u>								
<u>PASSED THROUGH THE UNITED WAY OF MIDDLE TENNESSEE: (Continued)</u>								
Ryan White CARE Act - Part A Care	93.917*	N/A	04-01-07 - 03-31-08	\$ 663,666	\$ (115,222)	\$ 656,895	\$ 541,673	\$ -
Ryan White CARE Act - Part A Care	93.917*	N/A	04-01-08 - 03-31-09	\$ 647,791	-	47,340	163,301	(115,961)
Ryan White CARE Act - Part A Dental Assistance	93.917*	N/A	04-01-07 - 03-31-08	\$ 738,412	(28,565)	738,412	709,847	-
Ryan White CARE Act - Part A Dental Assistance	93.917*	N/A	04-01-08 - 03-31-09	\$ 475,244	-	16,212	181,550	(165,338)
Ryan White CARE Act - Part B Insurance Assistance	93.917*	N/A	04-01-07 - 03-31-08	\$ 3,096,500	(327,917)	2,979,070	2,651,153	-
Ryan White CARE Act - Part B Insurance Assistance	93.917*	N/A	04-01-08 - 03-31-09	\$ 859,160	-	-	848,013	(848,013)
Ryan White CARE Act - Part A Minority AIDS Initiatives	93.917*	N/A	10-01-07 - 07-31-08	\$ 38,000	-	16,254	25,456	(9,202)
<u>PASSED THROUGH THE UNITED WAY OF MIDSOUTH:</u>								
Ryan White CARE Act - Part B Dental Assistance	93.917*	N/A	04-01-07 - 03-31-08	\$ 201,600	(33,423)	164,028	130,605	-
Ryan White CARE Act - Part B Dental Assistance	93.917*	N/A	04-01-08 - 03-31-09	\$ 201,600	-	8,816	18,180	(9,364)
Ryan White CARE Act - Part A Dental Assistance	93.917*	N/A	04-01-07 - 03-31-08	\$ 292,800	-	231,095	292,782	(61,687)
Ryan White CARE Act - Part A Dental Assistance	93.917*	N/A	04-01-06 - 03-31-07	\$ 292,800	-	-	40,425	(40,425)
Ryan White CARE Act - Part B Insurance Assistance	93.917*	N/A	04-01-07 - 03-31-08	\$ 1,659,000	(183,530)	1,593,938	1,410,408	-
Ryan White CARE Act - Part B Insurance Assistance	93.917*	N/A	04-01-08 - 03-31-09	\$ 1,659,000	-	85,967	208,491	(122,524)
<u>PASSED THROUGH LEGAL SERVICES OF WEST TENNESSEE:</u>								
Ryan White CARE Act - Part B Insurance Assistance	93.917*	N/A	04-01-08 - 06-30-08	\$ 540,000	-	135,250	188,556	(53,306)
TOTAL CFDA 93.917					(795,221)	7,201,558	7,922,822	(1,516,485)
<u>PASSED THROUGH THE COMPREHENSIVE CARE CENTER:</u>								
Ryan White CARE Act - Title IV	93.153	N/A	08-01-06 - 07-31-07	\$ 84,275	(16,078)	22,716	6,638	-
Ryan White CARE Act - Title IV	93.153	N/A	08-01-07 - 07-31-08	\$ 84,275	-	65,111	81,759	(16,648)
TOTAL CFDA 93.153					(16,078)	87,827	88,397	(16,648)
TOTAL OF EXPENDITURES OF FEDERAL AWARDS					\$ (967,304)	\$ 8,047,831	\$ 8,826,019	\$ (1,745,492)
<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*.