

NASHVILLE CARES  
NASHVILLE, TENNESSEE  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2022 AND 2021

NASHVILLE CARES  
NASHVILLE, TENNESSEE  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2022 AND 2021

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**Nashville CARES  
2022 Board of Directors**

**Officers**

Beth-Ann Martorello, CISA, CCSA,  
CRISC, President

Richard D. Bird, Jr., CPA, Treasurer

Damon Whiteside, Vice President

Claire Wisely, Secretary

Christopher Ott, MD, FACEP, Past President

**At-Large Members**

David Andrews

Josephine (Betsy) Bahn, ACNP-BC

Ron Balcarras

Terrance Bond, J.D.

Sheri Nichols Bucy

Hunter Rost

Elizabeth Saxton Inman

George Rowe, III, J.D.

Gerran Thomas, PhD, M.A.

**Nashville CARES  
2021 Board of Directors**

**Officers**

Christopher Ott, MD, FACEP, President

Hunter Rost, Treasurer

Arash Yekrangi, MD, Vice President

Claire Wisely, Secretary

Joe Burchfield, Past President

**At-Large Members**

Josephine (Betsy) Bahn, ACNP-BC

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Damon Whiteside

LaCosta Wix

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Nashville CARES  
Nashville, Tennessee

### REPORT ON THE AUDITS OF THE FINANCIAL STATEMENTS

#### OPINION

We have audited the accompanying financial statements of Nashville CARES (the "Agency"), a Tennessee not-for-profit corporation, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Nashville CARES's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nashville CARES's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

## OTHER INFORMATION

Management is responsible for the other information included in the financial statements. The other information comprises the board of directors listing on pages i-ii but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023 on our consideration of Nashville CARES's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Nashville CARES's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nashville CARES's internal control over financial reporting and compliance.

*Kraft+CPAs PLLC*

Nashville, Tennessee

March 28, 2023

NASHVILLE CARES  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 6,718,519	\$ 6,034,816
Accounts receivable	137,918	78,801
Federal, state and local government grants and contracts receivable	2,149,588	1,226,396
Contributions receivable:		
Special events receivable	-	7,364
Foundation and corporate grants and religious contributions	5,000	91,466
Prepaid expenses and other	131,959	345,698
Property and equipment, net	3,466,449	3,567,793
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	<u>44,700</u>	<u>53,418</u>
TOTAL ASSETS	<u>\$ 12,654,133</u>	<u>\$ 11,405,752</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 892,040	\$ 643,770
Accrued payroll and compensated absences	288,923	276,452
Deferred revenue	3,799,863	4,408,642
Notes payable	<u>2,052,625</u>	<u>3,249,820</u>
TOTAL LIABILITIES	<u>7,033,451</u>	<u>8,578,684</u>
<u>NET ASSETS</u>		
Without donor restrictions:		
Undesignated	3,954,677	1,098,240
Designated for property and equipment, less related debt	1,413,824	1,273,946
Designated for beneficial interest in agency endowment fund	<u>44,700</u>	<u>53,418</u>
Total without donor restrictions	5,413,201	2,425,604
With donor restrictions	<u>207,481</u>	<u>401,464</u>
TOTAL NET ASSETS	<u>5,620,682</u>	<u>2,827,068</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,654,133</u>	<u>\$ 11,405,752</u>

See accompanying notes to financial statements.



NASHVILLE CARES  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public Support:			
Contributions	\$ 223,874	\$ -	\$ 223,874
Special events	82,075	70,894	152,969
Federal, state and local grants and contracts	35,930,469	-	35,930,469
Foundation and corporate grants	<u>73,978</u>	<u>95,707</u>	<u>169,685</u>
Total Public Support	36,310,396	166,601	36,476,997
Medication revenue	1,580,032	-	1,580,032
Interest income	594	-	594
Other revenue	1,021,834	-	1,021,834
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	(6,059)	-	(6,059)
Net assets released resulting from satisfaction of donor restrictions	<u>360,584</u>	<u>(360,584)</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>39,267,381</u>	<u>(193,983)</u>	<u>39,073,398</u>
<b>EXPENSES</b>			
Program Services:			
Case management services	2,424,782	-	2,424,782
Housing and financial assistance	653,735	-	653,735
Emotional and practical support	1,373,532	-	1,373,532
Educational services	1,190,359	-	1,190,359
Public policy and advocacy	151,562	-	151,562
Insurance assistance	27,442,346	-	27,442,346
Healthcare	1,389,399	-	1,389,399
Supporting Services:			
Management and general	1,198,376	-	1,198,376
Marketing	162,337	-	162,337
Fund development	209,998	-	209,998
Volunteer services	<u>83,358</u>	<u>-</u>	<u>83,358</u>
<b>TOTAL EXPENSES</b>	<u>36,279,784</u>	<u>-</u>	<u>36,279,784</u>
<b>CHANGE IN NET ASSETS</b>	2,987,597	(193,983)	2,793,614
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>2,425,604</u>	<u>401,464</u>	<u>2,827,068</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 5,413,201</u></u>	<u><u>\$ 207,481</u></u>	<u><u>\$ 5,620,682</u></u>

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public Support:			
Contributions	\$ 261,421	\$ -	\$ 261,421
Special events	231,386	11,843	243,229
Federal, state and local grants and contracts	34,284,426	-	34,284,426
Foundation and corporate grants	<u>212,462</u>	<u>462,788</u>	<u>675,250</u>
Total Public Support	34,989,695	474,631	35,464,326
Medication revenue	396,893	-	396,893
Interest income	2,581	-	2,581
Other revenue	88,879	-	88,879
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	10,407	-	10,407
Net assets released resulting from satisfaction of donor restrictions	<u>199,075</u>	<u>(199,075)</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>35,687,530</u>	<u>275,556</u>	<u>35,963,086</u>
<b>EXPENSES</b>			
Program Services:			
Case management services	2,402,505	-	2,402,505
Housing and financial assistance	759,482	-	759,482
Emotional and practical support	1,464,440	-	1,464,440
Educational services	1,423,917	-	1,423,917
Public policy and advocacy	130,469	-	130,469
Insurance assistance	27,364,116	-	27,364,116
Healthcare	269,090	-	269,090
Supporting Services:			
Management and general	940,910	-	940,910
Marketing	80,681	-	80,681
Fund development	256,782	-	256,782
Volunteer services	<u>58,427</u>	<u>-</u>	<u>58,427</u>
<b>TOTAL EXPENSES</b>	<u>35,150,819</u>	<u>-</u>	<u>35,150,819</u>
<b>CHANGE IN NET ASSETS</b>	536,711	275,556	812,267
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,888,893</u>	<u>125,908</u>	<u>2,014,801</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,425,604</u>	<u>\$ 401,464</u>	<u>\$ 2,827,068</u>

See accompanying notes to financial statements.

NASHVILLE CARES  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,793,614	\$ 812,267
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	101,344	112,896
Forgiveness of Paycheck Protection Program loan	(955,973)	-
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	6,059	(10,407)
(Increase) decrease in:		
Accounts receivable	(59,117)	131,074
Federal, state and local government grants and contracts receivable	(923,192)	277,258
Contributions receivable	93,830	(21,629)
Prepaid expenses and other	213,739	398,555
Increase (decrease) in:		
Accounts payable	248,270	(1,239,410)
Accrued payroll and compensated absences	12,471	59,041
Deferred revenue	(608,779)	4,101,504
NET ADJUSTMENTS	(1,871,348)	3,808,882
NET CASH PROVIDED BY OPERATING ACTIVITIES	922,266	4,621,149
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(8,299)
Contributions to agency endowment fund	-	(100)
Distributions from agency endowment fund	2,659	2,300
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	2,659	(6,099)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(241,222)	(231,946)
Net payments on line of credit	-	(755,717)
NET CASH USED IN FINANCING ACTIVITIES	(241,222)	(987,663)
NET INCREASE IN CASH AND CASH EQUIVALENTS	683,703	3,627,387
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,034,816	2,407,429
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,718,519	\$ 6,034,816
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid during the year	\$ 96,950	\$ 110,737

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	PROGRAM SERVICES							SUPPORTING SERVICES				
	CASE MANAGEMENT SERVICES	HOUSING & FINANCIAL ASSISTANCE	EMOTIONAL & PRACTICAL SUPPORT	EDUCATIONAL SERVICES	PUBLIC POLICY & ADVOCACY	INSURANCE ASSISTANCE	HEALTHCARE	MANAGEMENT AND GENERAL	MARKETING	FUND DEVELOPMENT	VOLUNTEER SERVICES	TOTALS
Salaries	\$ 1,645,051	\$ 1,954	\$ 407,594	\$ 841,398	\$ 81,718	\$ 451,129	\$ 105,608	\$ 492,978	\$ 103,430	\$ 86,268	\$ 62,540	\$ 4,279,668
Employee taxes and fringe benefits	376,315	616	81,756	159,204	15,450	91,271	16,661	75,475	22,072	16,225	14,393	869,438
<b>TOTAL PAYROLL AND RELATED EXPENSES</b>	<b>2,021,366</b>	<b>2,570</b>	<b>489,350</b>	<b>1,000,602</b>	<b>97,168</b>	<b>542,400</b>	<b>122,269</b>	<b>568,453</b>	<b>125,502</b>	<b>102,493</b>	<b>76,933</b>	<b>5,149,106</b>
Client assistance	2,599	649,028	658,301	8,948	-	26,473,572	-	-	-	-	-	27,792,448
Advertising	-	-	-	-	-	-	-	-	168	286	-	454
Audit	-	-	-	-	-	-	-	31,950	-	-	-	31,950
Bank fees and interest expense	-	-	-	-	-	-	832	11,203	84	4,330	-	16,449
Conferences and training	1,456	-	161	797	610	-	-	7,169	-	1,946	-	12,139
Contracts	-	-	-	692	-	324,984	34,174	3,540	-	-	-	363,390
Depreciation	48,490	103	18,435	14,315	340	1,846	376	12,529	1,398	2,356	1,156	101,344
Equipment	959	2	223	452	30	261	36	24,579	37	37	37	26,653
Insurance	-	-	-	2,735	-	-	7,652	48,292	-	-	-	58,679
Licenses & permits	-	-	4,033	230	-	-	-	1,601	-	-	-	5,864
Medication	-	-	-	-	-	28,500	1,160,845	-	-	-	-	1,189,345
Memberships	-	-	-	257	11,000	-	-	2,019	1,960	735	-	15,971
Occupancy	77,930	84	18,652	79,214	2,322	28,918	4,971	16,268	3,309	3,127	2,393	237,188
Postage	7,171	-	2,311	112	-	17,438	-	726	-	25	99	27,882
Printing	6,385	-	1,990	1,086	17	1,523	-	391	78	734	-	12,204
Professional fees	106,553	6	79,723	24,282	37,369	10,431	54,575	438,538	24,199	17,218	279	793,173
Special event production	-	-	-	-	-	-	-	-	1,275	59,695	-	60,970
Supplies	40,748	1,896	72,165	24,909	19	3,615	1,964	13,099	1,014	10,367	16	169,812
Telephone	71,732	46	15,218	24,438	2,687	8,858	1,643	15,561	3,313	1,888	1,359	146,743
Travel/mileage	39,393	-	2,709	6,866	-	-	62	68	-	443	-	49,541
Vehicle costs	-	-	-	-	-	-	-	2,390	-	-	-	2,390
Volunteer incentives	-	-	10,133	424	-	-	-	-	-	4,318	-	14,875
Miscellaneous	-	-	128	-	-	-	-	-	-	-	1,086	1,214
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,424,782</b>	<b>\$ 653,735</b>	<b>\$ 1,373,532</b>	<b>\$ 1,190,359</b>	<b>\$ 151,562</b>	<b>\$ 27,442,346</b>	<b>\$ 1,389,399</b>	<b>\$ 1,198,376</b>	<b>\$ 162,337</b>	<b>\$ 209,998</b>	<b>\$ 83,358</b>	<b>\$ 36,279,784</b>

See accompanying notes to financial statements.

NASHVILLE CARES  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021

	PROGRAM SERVICES							SUPPORTING SERVICES				
	CASE MANAGEMENT SERVICES	HOUSING & FINANCIAL ASSISTANCE	EMOTIONAL & PRACTICAL SUPPORT	EDUCATIONAL SERVICES	PUBLIC POLICY & ADVOCACY	INSURANCE ASSISTANCE	HEALTHCARE	MANAGEMENT AND GENERAL	MARKETING	FUND DEVELOPMENT	VOLUNTEER SERVICES	TOTALS
Salaries	\$ 1,544,617	\$ 12,649	\$ 542,745	\$ 765,602	\$ 59,511	\$ 341,372	\$ 21,936	\$ 512,261	\$ 60,305	\$ 133,541	\$ 42,494	\$ 4,037,033
Employee taxes and fringe benefits	384,613	3,273	106,566	151,029	7,789	76,132	4,090	102,018	11,446	14,932	10,908	872,796
<b>TOTAL PAYROLL AND RELATED EXPENSES</b>	<b>1,929,230</b>	<b>15,922</b>	<b>649,311</b>	<b>916,631</b>	<b>67,300</b>	<b>417,504</b>	<b>26,026</b>	<b>614,279</b>	<b>71,751</b>	<b>148,473</b>	<b>53,402</b>	<b>4,909,829</b>
Client assistance	72,890	715,607	646,076	10,825	-	26,544,999	-	-	-	-	-	27,990,397
Advertising	-	-	-	-	-	-	6,480	4,406	-	-	-	10,886
Audit	-	-	-	-	-	-	-	34,564	-	-	-	34,564
Bank fees and interest expense	-	-	-	-	-	-	60	17,231	-	12,987	-	30,278
Conferences and training	64	-	10,847	3,460	3,432	-	15	10,126	32	(500)	(16)	27,460
Contracts	-	-	450	275,921	-	306,298	61,000	-	-	-	-	643,669
Depreciation	53,734	309	21,307	21,433	901	6,738	253	1,952	1,734	2,946	1,589	112,896
Equipment	671	-	240	364	4	322	31	24,379	15	34	15	26,075
Insurance	-	-	-	8,793	-	-	-	44,924	-	-	-	53,717
Licenses & permits	-	-	1,320	888	340	-	-	1,541	-	-	-	4,089
Medication	-	-	-	-	-	-	139,520	-	-	-	-	139,520
Memberships	-	-	-	100	22,000	-	-	919	820	1,500	-	25,339
Occupancy	62,595	398	23,244	93,251	1,600	27,348	4,406	52,019	1,801	3,296	1,566	271,524
Participation fees	-	-	3,502	125	-	-	-	4,094	-	-	-	7,721
Postage	5,156	-	1,989	385	169	15,140	-	4,695	-	1,501	12	29,047
Printing	2,927	-	3,628	565	8	3,707	-	1,305	8	2,644	-	14,792
Professional fees	67,913	24,546	44,459	19,199	32,416	27,214	12,712	96,592	3,347	5,876	1,175	335,449
Special event production	-	-	-	-	-	-	-	-	-	73,570	-	73,570
Supplies	96,427	2,516	37,504	49,073	959	8,585	16,856	14,698	35	1,849	97	228,599
Telephone	58,987	184	15,065	20,940	1,340	6,261	1,699	8,471	1,119	2,055	587	116,708
Travel/mileage	51,911	-	1,536	1,668	-	-	32	-	-	-	-	55,147
Vehicle costs	-	-	-	-	-	-	-	4,715	19	-	-	4,734
Volunteer incentives	-	-	3,962	296	-	-	-	-	-	551	-	4,809
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,402,505</b>	<b>\$ 759,482</b>	<b>\$ 1,464,440</b>	<b>\$ 1,423,917</b>	<b>\$ 130,469</b>	<b>\$ 27,364,116</b>	<b>\$ 269,090</b>	<b>\$ 940,910</b>	<b>\$ 80,681</b>	<b>\$ 256,782</b>	<b>\$ 58,427</b>	<b>\$ 35,150,819</b>

See accompanying notes to financial statements.

NASHVILLE CARES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Nashville CARES (the “Agency”) was founded in 1985 as a Tennessee not-for-profit corporation with the mission of ending the HIV/AIDS epidemic in Middle Tennessee. 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 financial statements of the Agency have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which require the Agency to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Agency’s management and the Board of Directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Agency did not have any net assets with donor restrictions that are perpetual in nature as of June 30, 2022 or 2021.

Contributions, Support and Revenues

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, Support and Revenues (Continued)

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

A significant portion of the Agency's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Agency has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Statements of Financial Position. The Agency had remaining available award balances on federal and state conditional grants and contracts of approximately \$3,100,000 and \$4,100,000 at June 30, 2022 and 2021, respectively, that had not been recognized as revenue because qualifying expenditures had not yet been incurred. Advance payments under such grants/contracts of \$3,799,863 and \$4,408,642 were recognized in the Statements of Financial Position as deferred revenue as of June 30, 2022 and 2021, respectively.

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.

Cash and Cash Equivalents

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

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, if any, is recognized on the interest method over the term of the gift and included in contribution revenue.

All contributions receivable at June 30, 2022 and 2021 are due in less than one year.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give (Continued)

An allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends. Pledges deemed uncollectible are charged off against the allowance in the period of determination. As of June 30, 2022 and 2021, no allowance for doubtful accounts is considered necessary.

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 and most building improvements, and forty years for buildings 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 (the "Community Foundation") is recognized as an asset. Investment income and changes in the value of the fund are recognized in the Statements of Activities, and contributions made or distributions received from the fund are recorded as increases (decreases) in the beneficial interest. (See Note 5.)

Fair Value Measurements

The Agency classifies its assets measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The beneficial interest in an agency endowment fund held by the Community Foundation represents the Agency's interest in pooled investments with other participants in the funds. The Community Foundation prepares a valuation of the fund based on the fair value of the underlying investments using quoted market prices and allocates income or loss to each participant based on market results. The Agency reflects this asset within Level 2 of the valuation hierarchy.

There have been no changes in the valuation methodologies used at June 30, 2022 and 2021.



NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation method is appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Donated Services

Donated services are recognized if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Agency.

A substantial number of unpaid volunteers have contributed their time to the Agency's program and supporting services. The value of this contributed time is not reflected in these statements since it does not meet the criteria noted above.

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 those living with HIV and their families living in 17 counties of northern Middle Tennessee. Provides eligibility services for clients via Medical Case Management Associates.

Housing and financial assistance - provides social services to meet housing and related financial needs of those living with HIV and their families living in 17 counties of northern Middle Tennessee. These clients also receive case management services.

Emotional health and wellness - social services to meet emotional and/or therapeutic needs of those living with HIV 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, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Program Services (Continued)

Public policy and advocacy - works to inform the community about the importance of the challenges of HIV/AIDS in Tennessee and the benefits of federal, state and community partnerships to address the needs of prevention, treatment and care in the state.

Insurance assistance - financial assistance for payment of medical insurance premiums and/or medical and prescription deductibles and co-payments for persons with HIV/AIDS throughout the State of Tennessee.

Healthcare - primary healthcare clinic for those living with or at risk of contracting HIV. Provides HIV treatment and maintenance, routine testing for HIV and STIs and prescriptions for pre-exposure prophylaxis (PrEP).

Supporting Services

Management and general - includes the functions necessary to ensure an adequate working environment, board operations, 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.

Volunteer services - includes 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.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. 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 and supporting services benefited. Such allocations are determined by management on a basis of time and effort. The expenses that are allocated include salaries, employee taxes and fringe benefits, printing, postage, telephone, conferences and training, travel/mileage, volunteer incentives/renumeration, depreciation and occupancy.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

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.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Agency's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

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.

New Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was effective for the Agency beginning on July 1, 2021 and did not result in a significant change to the financial statements.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842) Codification Improvements*, which exempts entities from having to provide the interim disclosures required by Accounting Standards Codification (“ASC”) 250-10-50-3 in the fiscal year in which an organization adopts the new leases standard.

A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard, which will be effective for the Agency July 1, 2022, provides a number of practical expedients. Upon adoption, the Agency expects to elect all the practical expedients available. Depending on modifications or extensions of existing leases, the adoption of the new standard could have a material impact on the financial statements.

Events Occurring After Reporting Date

The Agency has evaluated events and transactions that occurred between June 30, 2022 and March 28, 2023, 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, 2022 AND 2021

NOTE 2 - AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 6,718,519	\$ 6,034,816
Receivables:		
Accounts	137,918	78,801
Grants and contracts	2,149,588	1,226,396
Contributions	<u>5,000</u>	<u>98,830</u>
	9,011,025	7,438,843
Less amounts not available for general expenditures within one year:		
Amounts received for advocacy	(86,834)	(89,347)
Amounts received for prevention	(17,384)	-
Assets restricted for special events	-	(11,245)
Amounts received for technology improvement	<u>(96,441)</u>	<u>(284,406)</u>
Balance - end of year	<u>\$ 8,810,366</u>	<u>\$ 7,053,845</u>

Certain donor-restricted assets are limited as to use, and are not available for general expenditure. Other donor-restricted contributions receivable are only subject to time restrictions and will be met within one year.

As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 3 - GRANTS AND CONTRACTS RECEIVABLE

Federal, state and local government grants and contracts receivable consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
HUD - Housing Opportunities for Persons with AIDS (HOPWA) - TDH	\$ 47,411	\$ 23,438
HUD - Housing Opportunities for Persons with AIDS (HOPWA) - MDHA	495,169	102,700
HUD - Emergency Solutions Grant - MDHA	12,672	7,501
CDC - High Impact Prevention - Direct	123,089	132,711
CDC - HIV Prevention and Education - UWMN	27,013	21,620
CDC - Counseling and Testing Services - TDH	71,881	14,201
Ryan White Part B - TDH	741,523	674,189
Ryan White Part A - MPHD	522,258	130,241
Ryan White Part B - UWMN	94,972	53,699
Substance Abuse and Mental Health Services Administration - TDMHSA	-	52,173
Vanderbilt National Institutes of Health	8,951	-
Other	4,649	13,923
	<u>\$ 2,149,588</u>	<u>\$ 1,226,396</u>

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 795,000	\$ 795,000
Buildings	2,270,361	2,270,361
Building improvements	1,314,064	1,314,064
Vehicles	22,270	22,270
Software	116,797	116,797
Furniture and equipment	329,547	329,547
	4,848,039	4,848,039
Less accumulated depreciation	<u>(1,381,590)</u>	<u>(1,280,246)</u>
	<u>\$ 3,466,449</u>	<u>\$ 3,567,793</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

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. 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, 2022 and 2021, follows:

	<u>2022</u>	<u>2021</u>
Balance - beginning of year	\$ 53,418	\$ 45,211
Contributions to the fund	-	100
Change in value of beneficial interest in agency endowment fund:		
Investment income (loss)	(5,726)	10,716
Administrative expenses	<u>(333)</u>	<u>(309)</u>
	(6,059)	10,407
Distributions to the Agency	<u>(2,659)</u>	<u>(2,300)</u>
Balance - end of year	<u>\$ 44,700</u>	<u>\$ 53,418</u>

NOTE 6 - FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Agency’s assets at fair value as of June 30:

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in agency endowment fund	<u>\$ -</u>	<u>\$ 44,700</u>	<u>\$ -</u>	<u>\$ 44,700</u>

  

	<u>2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in agency endowment fund	<u>\$ -</u>	<u>\$ 53,418</u>	<u>\$ -</u>	<u>\$ 53,418</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 7 - DEBT

In May 2013, the Agency entered into a loan agreement with BancorpSouth Bank for \$2,015,000. The loan requires principal and interest installments, with interest accrued at 4.49% per annum, through June 3, 2028. On that date, the interest rate will be modified to be prime plus 0.25% (with a floor of 4.5%) until the note's maturity on June 3, 2033. This note may be prepaid in whole or in part at any time without penalty. The outstanding balance on the note was \$1,323,951 at June 30, 2022 (\$1,415,418 at June 30, 2021).

In November 2016, the Agency entered into a new loan agreement with BancorpSouth Bank for \$1,500,000. The loan requires principal and interest installments, with interest accrued at 3.499% per annum, through November 15, 2026. This note may be prepaid in whole or in part at any time without penalty. The outstanding balance on the note was \$728,674 at June 30, 2022 (\$878,429 at June 30, 2021).

Both loans are subject to deeds of trust on the real estate acquired with the loan proceeds and security agreements covering all other assets of the Agency. As of June 30, 2022, the net book value of the land, buildings and improvements was \$3,458,015.

The Agency entered into a Paycheck Protection Program ("PPP") loan of \$955,973 in April 2020, which was fully forgivable if at least 60% of the funds are used for payroll costs, and if certain other terms are met. During the year ended June 30, 2022 the Agency received formal forgiveness of its Paycheck Protection Program Loan in the amount of \$955,973 which was recorded as other revenue at that time.

Future maturities of notes payable based on the outstanding balances at June 30, 2022 are as follows:

<u>Year ending June 30,</u>	
2023	\$ 251,551
2024	261,395
2025	271,929
2026	282,744
2027	186,090
Thereafter	<u>798,916</u>
	<u>\$ 2,052,625</u>



NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 7 - DEBT (CONTINUED)

The Agency has a line of credit agreement with a bank that allows for maximum borrowings up to \$1,000,000. The line of credit bears interest quarterly at the prime rate minus 0.75% and matures on February 23, 2024. There was no outstanding balance on the line of credit as of June 30, 2022 and 2021.

Both the facility notes 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, 2022, the Agency was in compliance with this requirement.

Total interest expense incurred by the Agency was \$91,004 in 2022 and \$110,221 in 2021 and is included in occupancy expense for the notes payable and in bank fees and interest expense for the line of credit.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
<u>Net assets with time restrictions</u>		
Special events receivable	\$ -	\$ 11,245
Foundation and corporate grants and religious contributions	6,822	88,966
<u>Net assets with purpose restrictions</u>		
Advocacy	86,834	16,847
Prevention	17,384	-
Technology improvement	96,441	284,406
	<u>\$ 207,481</u>	<u>\$ 401,464</u>

NOTE 9 - 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. Management elected to not make matching contributions during 2022 and 2021.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

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

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, 2022, the Agency's depository accounts exceeded FDIC insurance limits by approximately \$6.5 million.