NASHVILLE CARES

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2019 AND 2018

NASHVILLE CARES

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2019 AND 2018

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Nashville CARES
2019 Board of Directors

Officers

Joe Burchfield, President

Christopher Ott, MD, FACEP, Vice President

Hunter Rost, Treasurer

Clark Wisely, Secretary

At-Large Members

Josephine (Betsy) Bahn

Ron Balcarras

Richard D. Bird, Jr.

Reverend Robert B. Coleman

Adam W. Holdren

Elizabeth Saxton Inman

Anne C. Martin

Susan McDonald

Gilbert Ramirez

Ty Rushing

Robert Sikorski III

Gerran Thomas

Damon Whiteside

Kevin Wilson

LaCosta Wix

Arash Yekrangi-Tajvidi, MD

Nashville CARES
2018 Board of Directors

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nashville CARES
Nashville, Tennessee

REPORT ON THE FINANCIAL STATEMENTS

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, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY 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; this includes 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KraftCPAs PLLC • Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • phone: 615-242-7351 • fax: 615-782-4271 • kraftcpas.com

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019 and 2018, 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.

OTHER MATTERS

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and accompanying list of Board of Directors, as required by The State of Tennessee Audit Manual are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020 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 26, 2020

NASHVILLE CARES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 1,884,132	$ 3,130,102
Accounts receivable	9,205	55,630
Federal, state and local government grants and contracts receivable	1,221,334	1,578,771
Contributions receivable:		
Annual campaign	20,684	44,303
United Way and other workplace campaigns	19,396	44,192
Special events receivable	49,989	101,196
Foundation and corporate grants and religious contributions	40,870	39,620
Allowance for uncollectible contributions	(8,069)	(8,069)
Prepaid expenses and other	78,475	68,104
Property and equipment	3,787,729	3,906,741
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	44,654	44,026
TOTAL ASSETS	$ 7,148,399	$ 9,004,616
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 189,686	$ 278,227
Accrued payroll and compensated absences	223,575	240,521
Deferred revenue	1,439,790	3,071,873
Line of credit	919,500	774,819
Notes payable	2,748,221	2,962,716
TOTAL LIABILITIES	5,520,772	7,328,156
NET ASSETS		
Without donor restrictions:		
Undesignated	420,595	467,167
Designated for property and equipment, less related debt	1,039,508	944,025
Designated for beneficial interest in agency endowment fund	44,654	44,026
Total without donor restrictions	1,504,757	1,455,218
With donor restrictions	122,870	221,242
TOTAL NET ASSETS	1,627,627	1,676,460
TOTAL LIABILITIES AND NET ASSETS	$ 7,148,399	$ 9,004,616

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Annual campaign and unsolicited contributions	$ 147,367	$ 25,450	$ 172,817
Red Ribbon Breakfast	22,531	-	22,531
United Way and other workplace contributions	32,216	-	32,216
Special events	168,765	55,624	224,389
Federal, state and local grants and contracts	33,659,649	-	33,659,649
Foundation and corporate grants	227,527	46,750	274,277
Total Public Support	34,258,055	127,824	34,385,879
Interest income	51	-	51
Other revenue	26,563	-	26,563
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	2,828	-	2,828
Rental income	78,915	-	78,915
Net assets released resulting from satisfaction of donor restrictions	226,196	(226,196)	-
TOTAL PUBLIC SUPPORT AND REVENUE	34,592,608	(98,372)	34,494,236
EXPENSES			
Program Services:			
Case management services	2,161,957	-	2,161,957
Housing and financial assistance	667,353	-	667,353
Emotional health and wellness	616,909	-	616,909
Practical support	522,572	-	522,572
Educational services	1,660,440	-	1,660,440
Public policy and advocacy	106,132	-	106,132
Dental assistance	2,275,926	-	2,275,926
Insurance assistance	25,144,543	-	25,144,543
Supporting Services:			
Management and general	834,159	-	834,159
Marketing	82,067	-	82,067
Fund development	418,884	-	418,884
Volunteer services	52,127	-	52,127
TOTAL EXPENSES	34,543,069	-	34,543,069
CHANGE IN NET ASSETS	49,539	(98,372)	(48,833)
NET ASSETS - BEGINNING OF YEAR	1,455,218	221,242	1,676,460
NET ASSETS - END OF YEAR	$ 1,504,757	$ 122,870	$ 1,627,627

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Annual campaign and unsolicited contributions	$ 197,327	$ 47,200	$ 244,527
Red Ribbon Breakfast	10,000	-	10,000
Religious contributions	-	5,000	5,000
United Way and other workplace contributions	31,523	31,657	63,180
Special events	220,556	141,759	362,315
Federal, state and local grants and contracts	33,638,289	-	33,638,289
Foundation and corporate grants	400,141	37,650	437,791
Total Public Support	34,497,836	263,266	34,761,102
Interest income	1,515	-	1,515
Other revenue	36,228	-	36,228
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	5,249	-	5,249
Rental income	59,905	-	59,905
Net assets released resulting from satisfaction of donor restrictions	280,723	(280,723)	-
TOTAL PUBLIC SUPPORT AND REVENUE	34,881,456	(17,457)	34,863,999
EXPENSES			
Program Services:			
Case management services	1,757,137	-	1,757,137
Housing and financial assistance	740,632	-	740,632
Emotional health and wellness	605,735	-	605,735
Practical support	901,376	-	901,376
Educational services	1,599,071	-	1,599,071
Public policy and advocacy	125,693	-	125,693
Dental assistance	3,651,571	-	3,651,571
Insurance assistance	24,101,213	-	24,101,213
Supporting Services:			
Management and general	812,444	-	812,444
Marketing	97,649	-	97,649
Fund development	361,054	-	361,054
Volunteer services	53,541	-	53,541
TOTAL EXPENSES	34,807,116	-	34,807,116
CHANGE IN NET ASSETS	74,340	(17,457)	56,883
NET ASSETS - BEGINNING OF YEAR	1,380,878	238,699	1,619,577
NET ASSETS - END OF YEAR	$ 1,455,218	$ 221,242	$ 1,676,460

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (48,833)	$ 56,883
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	119,012	123,567
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	(2,828)	(5,249)
(Increase) decrease in:		
Accounts receivable	46,425	(53,166)
Federal, state and local government grants and contracts receivable	357,437	(118,759)
Contributions receivable	98,372	17,490
Prepaid expenses and other	(10,371)	30,124
Increase (decrease) in:		
Checks issued in excess of deposits	-	(143,243)
Accounts payable	(88,541)	(57,857)
Accrued payroll and compensated absences	(16,946)	2,274
Deferred revenue	(1,632,083)	3,069,839
NET ADJUSTMENTS	(1,129,523)	2,865,020
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(1,178,356)	2,921,903
CASH FLOWS FROM INVESTING ACTIVITIES		
Contributions to agency endowment fund	-	(5,300)
Distributions from agency endowment fund	2,200	2,000
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	2,200	(3,300)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(214,495)	(206,265)
Net borrowings on line of credit	144,681	240,383
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(69,814)	34,118
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,245,970)	2,952,721
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,130,102	177,381
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,884,132	$ 3,130,102
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid during the year	$ 161,668	$ 161,907

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	PROGRAM SERVICES								SUPPORTING SERVICES				
	CASE MANAGEMENT SERVICES	HOUSING & FINANCIAL ASSISTANCE	EMOTIONAL HEALTH & WELLNESS	PRACTICAL SUPPORT	EDUCATIONAL SERVICES	PUBLIC POLICY & ADVOCACY	DENTAL ASSISTANCE	INSURANCE ASSISTANCE	MANAGEMENT AND GENERAL	MARKETING	FUND DEVELOPMENT	VOLUNTEER SERVICES	TOTALS
Salaries	$ 1,471,978	$ 17,339	$ 398,003	$ 132,834	$ 841,973	$ 84,876	$ 291,997	$ 346,963	$ 492,192	$ 63,101	$ 211,730	$ 36,868	$ 4,389,854
Employee taxes and fringe benefits	385,551	4,777	79,929	33,449	189,242	12,161	68,664	92,433	80,091	10,458	31,522	9,581	997,858
TOTAL PAYROLL AND RELATED EXPENSES	1,857,529	22,116	477,932	166,283	1,031,215	97,037	360,661	439,396	572,283	73,559	243,252	46,449	5,387,712
Client assistance	1,323	585,547	12,088	316,486	16,367	-	1,807,893	24,604,779	-	-	(80)	-	27,344,403
Audit	-	-	-	-	-	-	-	-	29,515	-	-	-	29,515
Bank fees and interest expense	-	-	-	-	-	-	-	-	57,014	-	11,113	-	68,127
Conferences and training	5,655	53,566	3,103	197	19,728	552	-	-	5,908	-	1,581	-	90,290
Contracts	-	-	23,184	-	335,557	-	17,000	-	2,400	-	-	-	378,141
Depreciation	44,864	571	9,413	4,358	22,611	1,824	8,966	11,224	8,899	1,147	4,092	1,043	119,012
Equipment rental and maintenance	34	-	1	-	62	-	57	2,585	20,761	-	259	-	23,759
Insurance	-	-	-	-	2,472	-	-	-	42,143	-	-	-	44,615
Licensure/permits	-	-	1,820	-	35	340	-	-	684	-	240	-	3,119
Memberships	-	-	-	-	-	-	-	-	1,009	258	244	62	1,573
Occupancy	57,658	883	13,821	6,928	93,464	2,384	15,622	21,332	22,185	1,590	5,558	1,294	242,719
Participation fees	-	-	-	-	554	-	-	-	3,600	800	1,500	-	6,454
Postage	4,896	100	2	1,821	252	-	14,299	24,702	906	72	2,120	69	49,239
Printing	4,645	-	446	6,709	2,571	207	3,355	5,084	1,105	295	10,394	51	34,862
Professional fees	46,543	2,247	44,166	4,084	19,359	-	5,825	17,041	17,446	3,373	8,387	1,094	169,565
Space rental/offsite storage	-	-	-	-	-	350	-	-	-	-	-	-	350
Special event production	-	-	-	-	-	-	-	-	-	-	123,877	-	123,877
Supplies	52,842	1,286	8,773	12,176	65,574	1,666	38,260	13,654	30,762	530	3,092	1,609	230,224
Telephone	42,712	480	9,440	3,127	20,974	1,772	3,738	4,686	5,315	443	2,000	401	95,088
Travel/mileage	43,056	557	6,152	381	16,804	-	250	60	1,820	-	1,255	55	70,390
Van upkeep/gasoline	-	-	-	20	10	-	-	-	3,191	-	-	-	3,221
Volunteer incentives/remuneration	-	-	6,568	-	12,831	-	-	-	424	-	-	-	19,823
Miscellaneous	200	-	-	2	-	-	-	-	6,789	-	-	-	6,991
TOTAL FUNCTIONAL EXPENSES	$ 2,161,957	$ 667,353	$ 616,909	$ 522,572	$ 1,660,440	$ 106,132	$ 2,275,926	$ 25,144,543	$ 834,159	$ 82,067	$ 418,884	$ 52,127	$ 34,543,069

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

	PROGRAM SERVICES								SUPPORTING SERVICES				
	CASE MANAGEMENT SERVICES	HOUSING & FINANCIAL ASSISTANCE	EMOTIONAL HEALTH & WELLNESS	PRACTICAL SUPPORT	EDUCATIONAL SERVICES	PUBLIC POLICY & ADVOCACY	DENTAL ASSISTANCE	INSURANCE ASSISTANCE	MANAGEMENT AND GENERAL	MARKETING	FUND DEVELOPMENT	VOLUNTEER SERVICES	TOTALS
Salaries	$ 1,222,937	$ 59,818	$ 375,428	$ 341,988	$ 766,450	$ 95,584	$ 325,619	$ 413,308	$ 467,544	$ 76,972	$ 165,929	$ 37,117	$ 4,348,694
Employee taxes and fringe benefits	285,694	15,829	68,533	88,668	178,497	13,457	71,482	93,960	99,277	12,291	25,467	9,838	962,993
TOTAL PAYROLL AND RELATED EXPENSES	1,508,631	75,647	443,961	430,656	944,947	109,041	397,101	507,268	566,821	89,263	191,396	46,955	5,311,687
Client assistance	1,825	644,569	602	409,228	15,863	-	3,102,602	23,488,097	-	-	(801)	-	27,661,985
Advertising	-	-	-	-	-	-	-	-	685	1,000	6,084	-	7,769
Audit	-	-	-	-	-	-	-	-	32,465	-	-	-	32,465
Bank fees and interest expense	-	-	-	-	-	-	-	-	52,902	-	3,779	-	56,681
Conferences and training	3,837	7,671	1,646	-	5,758	5,439	412	518	330	-	1,415	6	27,032
Contracts	-	-	49,778	-	348,494	-	51,500	-	-	-	-	-	449,772
Depreciation	37,502	2,044	8,865	13,181	20,952	1,681	10,323	14,250	8,761	1,408	3,474	1,126	123,567
Equipment rental and maintenance	-	-	-	-	-	-	-	-	17,294	-	-	-	17,294
Insurance	-	-	-	-	2,472	-	-	-	40,140	-	-	-	42,612
Licensure/permits	-	-	1,184	510	-	-	-	-	1,597	-	-	-	3,291
Memberships	-	-	-	-	-	3,000	-	-	709	240	80	415	4,444
Occupancy	41,540	2,378	11,205	16,459	120,307	2,010	16,081	22,847	26,252	1,598	4,593	1,200	266,470
Participation fees	-	-	-	-	360	-	-	-	500	500	635	100	2,095
Postage	3,746	300	5	2,869	37	-	15,313	21,064	470	-	4,317	-	48,121
Printing	5,697	300	282	2,368	2,713	115	500	6,080	2,098	1	5,471	275	25,900
Professional fees	35,299	1,515	38,035	10,284	16,275	1,589	7,513	16,537	22,178	3,075	19,928	1,438	173,666
Special event production	-	-	-	-	-	-	-	-	-	-	108,006	-	108,006
Supplies	51,132	1,700	27,813	5,801	71,765	77	46,315	13,809	28,563	109	10,520	1,517	259,121
Telephone	29,326	1,775	7,230	5,644	19,305	1,794	3,613	4,467	5,981	443	1,565	348	81,491
Travel/mileage	38,602	2,733	8,287	4,376	15,698	277	298	496	1,390	12	592	161	72,922
Van upkeep/gasoline	-	-	-	-	-	-	-	-	2,953	-	-	-	2,953
Volunteer incentives/remuneration	-	-	6,842	-	14,125	670	-	-	-	-	-	-	21,637
Miscellaneous	-	-	-	-	-	-	-	5,780	355	-	-	-	6,135
TOTAL FUNCTIONAL EXPENSES	$ 1,757,137	$ 740,632	$ 605,735	$ 901,376	$ 1,599,071	$ 125,693	$ 3,651,571	$ 24,101,213	$ 812,444	$ 97,649	$ 361,054	$ 53,541	$ 34,807,116

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

Basis of Presentation

The 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, 2019 or 2018.

Donor restricted contributions are reported as increases in net assets with 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Contract revenue is recognized when services are rendered and/or reimbursable charges are incurred under the terms of the contract. Contract revenue received in advance of services provided and/or reimbursable charges being incurred are recorded 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.

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 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.

All contributions receivable at June 30, 2019 and 2018 are due in less than one year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost at the date of purchase or at estimated fair value at the date of gift to the Agency. The Agency's policy is to capitalize purchases with a cost of $1,000 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of five years for vehicles, software, furniture and equipment 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 Statement of Activities, and 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 of Middle Tennessee 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, 2019 and 2018.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 HIV-infected individuals 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 HIV-infected individuals and their families living in 17 counties of northern Middle Tennessee. These clients also received case management services.

Emotional health and wellness - social services to meet emotional and/or therapeutic needs of HIV-infected individuals and their families living in 17 counties of northern Middle Tennessee.

Practical support - manages access by clients to Agency's full range of social services and phone access to services via an 800-number. Also provides practical and material assistance such as nutrition assistance and transportation assistance to HIV-infected individuals and their families.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Program Services (Continued)

Dental assistance - financial assistance for the payment of dental care for persons with HIV/AIDS throughout the State of Tennessee.

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.

Supporting Services

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

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

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

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.

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 reasonable basis. The expenses that are allocated include salaries, employee taxes and fringe benefits, printing, postage, telephone, conferences and training, travel/mileage, and volunteer incentives/renumeration, which are allocated on the basis of estimates of time and effort, while depreciation is allocated on the basis of square footage and occupancy is allocated using a combination of square footage and time and effort basis.

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.

Adoption of New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Additionally, ASU 2016-14 requires all not-for-profit organizations to present expenses by their natural and functional expense classifications. The Agency has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Agency has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. 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 provided an additional transition option that allows companies to continue applying the guidance under the current lease standard in the comparative periods presented in the financial statements. ASU 2018-11 also provides lessors with a practical expedient, in certain circumstances, to not separate nonlease components from the associated lease component, similar to the expedient provided for lessees. In December 2018, the FASB issued ASU 2018-20, *Narrow-Scope Improvements for Lessors*. This ASU provides an election for lessors to exclude sales and related taxes from consideration in the contract, requires lessors to exclude from revenue and expense lessor costs paid directly to a third party by lessees, and clarifies lessors' accounting for variable payments related to both lease and nonlease components. In October 2019, the FASB voted to delay the effective date of the standard to fiscal years beginning after December 15, 2020. The Agency is currently evaluating the impact of this guidance on the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. As the Agency is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, including interim periods. The Agency is currently evaluating the impact of the adoption of this guidance on its financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years beginning after December 15, 2019. The Agency is currently evaluating the impact of this new standard on its financial statements.

Reclassifications

Certain reclassifications have been made in the 2018 financial statements to conform to the current year presentation. These reclassifications had no effect on the change in net assets previously reported.

Events Occurring After Reporting Date

The Agency has evaluated events and transactions that occurred between June 30, 2019 and March 26, 2020, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 are as follows:

Financial assets at year end:	
Cash and cash equivalents	$1,884,132
Receivables:	
Accounts	9,205
Grants and contracts	1,221,334
Contributions	122,870
	3,237,541
Less amounts not available for general expenditures within one year:	
Assets restricted for special events	(41,920)
Balance - end of year	$3,195,621

Certain donor-restricted assets are limited as to use, primarily for special events, 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.

The Agency also has a line of credit with availability totaling $80,500 as of June 30, 2019, to meet cash flow needs (see Note 7).

NOTE 3 - GRANTS AND CONTRACTS RECEIVABLE

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

	2019	2018
HUD - Housing Opportunities for Persons with AIDS (HOPWA) - TDH	$ 22,813	$ 33,656
HUD - Housing Opportunities for Persons with AIDS (HOPWA) - MDHA	131,857	224,818
HUD - Emergency Solutions Grant - MDHA	1,684	631
CDC - High Impact Prevention - Direct	161,940	205,685
CDC - HIV Prevention and Education - UWMN	22,313	20,862
CDC - Counseling and Testing Services - TDH	23,173	38,315
Ryan White Part B - TDH	485,153	546,238
Ryan White Part A - MPHD	230,966	176,919
Ryan White Part B - UWMN	128,407	277,524
Substance Abuse and Mental Health Services Administration - TDMHSA	13,028	27,482
Vanderbilt University Research	-	12,648
Metro Nashville Community Enhancement Grant	-	13,993
	$ 1,221,334	$ 1,578,771

NOTE 4 - PROPERTY AND EQUIPMENT

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

	2019	2018
Land	$ 795,000	$ 795,000
Buildings	2,270,361	2,270,361
Building improvements	1,305,733	1,305,733
Vehicles	32,957	32,957
Software	116,797	116,797
Furniture and equipment	329,547	329,547
	4,850,395	4,850,395
Less accumulated depreciation	(1,062,666)	(943,654)
	$ 3,787,729	$ 3,906,741

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, 2019 and 2018, follows:

	2019	2018
Balance - beginning of year	$ 44,026	$ 35,477
Contributions to the fund	-	5,300
Change in value of beneficial interest in agency endowment fund:		
Investment income	3,096	5,633
Administrative expenses	(268)	(384)
	2,828	5,249
Distributions to the Agency	(2,200)	(2,000)
Balance - end of year	$ 44,654	$ 44,026

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:

	2019			
	Level 1	Level 2	Level 3	Total
Beneficial interest in agency endowment fund	$ -	$ 44,654	$ -	$ 44,654

	2018			
	Level 1	Level 2	Level 3	Total
Beneficial interest in agency endowment fund	$ -	$ 44,026	$ -	$ 44,026

NOTE 7 - DEBT

In May 2013, the Agency entered into a loan agreement with BancorpSouth Bank for $2,015,000 that was used to pay off an existing loan with Beacon Federal Bank. 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.

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 and requires a prepayment premium for prepayments prior to November 9, 2019.

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, 2019, the net book value of the land, buildings and improvements was $3,720,185.

A schedule of future principal maturities under the notes as of June 30, 2019, follows:

Year ending June 30,		
2020	$	223,662
2021		232,719
2022		241,949
2023		251,551
2024		261,399
Thereafter		1,536,941
	$	2,748,221

The Agency has a line of credit agreement with BancorpSouth Bank that allows for maximum borrowings up to $1,000,000. The line of credit bears interest at the prime rate plus 0.15% (with a floor of 3.75%) and matures on May 3, 2020. The effective interest rate at June 30, 2019 was 5.65% and the outstanding balance was $919,500 ($774,819 at June 30, 2018). The line of credit is secured by substantially all assets of the Agency, except for real property.

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, 2019, the Agency was in compliance with this requirement.

Total interest expense incurred by the Agency was $161,174 in 2019 and $161,432 in 2018 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:

	2019	2018
Annual campaign	$ 20,684	$ 44,303
United Way and other workplace campaigns	19,396	44,192
Special events receivable	41,920	93,127
Foundation and corporate grants and religious contributions	40,870	39,620
	$ 122,870	$ 221,242

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 2019 and 2018.

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, 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 cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of June 30, 2019, the Agency's depository accounts exceeded FDIC insurance limits by approximately $3.1 million.

SUPPLEMENTARY INFORMATION

NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

Program Name	Federal CFDA Number	Contract Number	Award Period	(Accrued) Deferred Revenue 7/1/2018	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2019	Passed Through to Subrecipients
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:								
PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:								
Housing Opportunities for Persons with AIDS	14.241	GR-18-53475	7/1/17 - 6/30/18	$ (33,058)	$ 32,332	$ (726)	$ -	$ -
Housing Opportunities for Persons with AIDS	14.241	GR-18-53475-01	7/1/18 - 6/30/19	-	44,913	67,726	(22,813)	-
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:								
Housing Opportunities for Persons with AIDS	14.241	N/A	7-1-16 - 6-30-17	-	5,628	5,628	-	-
Housing Opportunities for Persons with AIDS	14.241	N/A	7-1-17 - 6-30-18	(224,818)	359,718	135,310	(410)	-
Housing Opportunities for Persons with AIDS	14.241	N/A	7-1-18 - 6-30-19	-	353,014	484,461	(131,447)	-
Emergency Solutions Grants	14.231	N/A	7-1-16 - 6-30-17	(631)	631	-	-	-
Emergency Solutions Grants	14.231	N/A	7-1-17 - 6-30-18	-	15,830	15,830	-	-
Emergency Solutions Grants	14.231	N/A	7-1-18 - 6-30-19	-	14,819	16,503	(1,684)	-
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				(258,507)	826,885	724,732	(156,354)	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:								
HIV Prevention Activities Non-Governmental Organization Based	93.939	6NU65PS004724-03-03	7-1-17 - 6-30-18	(205,685)	205,685	-	-	-
HIV Prevention Activities Non-Governmental Organization Based	93.939	6NU65PS004724-04-03	7-1-18 - 6-30-19	-	592,023	753,963	(161,940)	335,557
PASSED THROUGH THE MIDDLE TENNESSEE REGIONAL ADVISORY COMMITTEE IN COLLABORATION WITH THE UNITED WAY OF METROPOLITAN NASHVILLE:								
HIV Prevention Activities Health Department Based	93.940	N/A	1-1-18 - 12-31-18	(20,862)	20,862	-	-	-
HIV Prevention Activities Health Department Based	93.940	N/A	1-1-19 - 12-31-19	-	107,043	129,356	(22,313)	-
PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:								
HIV Prevention Activities Health Department Based	93.940	GR-18-57255-00	1-1-18 - 12-31-18	(38,315)	129,642	91,327	-	-
HIV Prevention Activities Health Department Based	93.940	GR-18-57255-01	1-1-19 - 12-31-19	-	45,156	68,329	(23,173)	-
HIV Care Formula Grants	93.917	GR-17-53009-01	4-1-17 - 3-31-18	-	787	787	-	-
HIV Care Formula Grants	93.917	GR-18-58020	4-1-18 - 3-31-19	(231,044)	1,030,952	799,908	-	-
HIV Care Formula Grants	93.917	GR-19-63996	4-1-19 - 3-31-20	-	-	255,139	(255,139)	-
HIV Care Formula Grants	93.917	GR-18-55875-02	4-1-18 - 3-31-19	(118,178)	496,925	378,747	-	-
HIV Care Formula Grants	93.917	GR-18-55875-03	4-1-19 - 3-31-20	-	40,937	125,280	(84,343)	-
PASSED THROUGH TENNESSEE DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES:								
Block Grants for Prevention and Treatment of Substance Abuse	93.959	TI010050-17	7-1-17 - 6-30-18	(27,482)	27,482	-	-	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	59071	7-1-18 - 6-30-19	-	165,142	178,170	(13,028)	-
PASSED THROUGH THE UNITED WAY OF METROPOLITAN NASHVILLE:								
HIV Care Formula Grants	93.917	N/A	4-1-18 - 3-31-19	(71,126)	71,757	631	-	-
HIV Care Formula Grants	93.917	N/A	4-1-19 - 3-31-20	-	490,832	566,201	(75,369)	-
HIV Care Formula Grants	93.917	N/A	4-1-17 - 3-31-18	(29,492)	29,492	-	-	-
HIV Care Formula Grants	93.917	N/A	4-1-18 - 3-31-19	(176,906)	2,199,780	2,022,874	-	-
HIV Care Formula Grants	93.917	N/A	4-1-19 - 3-31-20	-	31,538	84,576	(53,038)	-

(continued on following page)

NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2019

Program Name	Federal CFDA Number	Contract Number	Award Period	(Accrued) Deferred Revenue 7/1/2018	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2019	Passed Through to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued):								
PASSED THROUGH METROPOLITAN PUBLIC HEALTH DEPARTMENT:								
HIV Emergency Relief Project Grants	93.914*	N/A	3-1-18 - 2-28-19	$ (117,780)	$ 1,196,808	$ 1,079,028	$ -	$ 23,184
HIV Emergency Relief Project Grants	93.914*	N/A	3-1-19 - 2-28-20	-	201,040	422,794	(221,754)	-
HIV Emergency Relief Project Grants	93.914*	N/A	3-1-18 - 2-28-19	(48,848)	338,588	289,740	-	-
HIV Emergency Relief Project Grants	93.914*	N/A	3-1-18 - 2-28-19	(5,045)	61,463	56,418	-	-
HIV Emergency Relief Project Grants	93.914*	N/A	3-1-19 - 2-28-20	-	8,550	17,762	(9,212)	-
HIV Emergency Relief Project Grants	93.914*	N/A	3-1-18 - 2-28-19	(5,247)	63,208	57,961	-	-
PASSED THROUGH VANDERBILT UNIVERSITY:								
NIH Acquired Immunodeficiency Syndrome Research Loan Repayment Program	93.936	5P30AI110527-03	4-1-17 - 3-31-18	(8,226)	8,226	-	-	-
NIH Acquired Immunodeficiency Syndrome Research Loan Repayment Program	93.936	5P30AI110527-04	4-1-18 - 3-31-19	(4,422)	23,101	18,679	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				(1,108,658)	7,587,019	7,397,670	(919,309)	358,741
				$ (1,367,165)	$ 8,413,904	$ 8,122,402	$ (1,075,663)	$ 358,741

*Considered a major program under Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Nashville CARES under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Nashville CARES, it is not intended to and does not present the financial position, change in net assets, or cash flows of Nashville CARES.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accounting principles generally accepted in the United States of America basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

Nashville CARES has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Summary of Federal Expenditures by CFDA Number:

14.241	$ 692,399
14.231	32,333
93.939	753,963
93.940	289,012
93.917	4,234,143
93.959	178,170
93.936	18,679
93.914	1,923,703
	$ 8,122,402

OTHER REPORTS

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

Board of Directors
Nashville CARES
Nashville, Tennessee

We have audited, in accordance with the 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, the financial statements of Nashville CARES (the "Agency"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2019-001 that we consider to be a significant deficiency.

KraftCPAs PLLC • Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • phone: 615-242-7351 • fax: 615-782-4271 • kraftcpas.com

COMPLIANCE AND OTHER MATTERS

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

NASHVILLE CARES'S RESPONSE TO FINDING

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KraftCPAs PLLC

Nashville, Tennessee
March 26, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors
Nashville CARES
Nashville, Tennessee

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Nashville CARES's (the "Agency") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Agency's major federal program for the year ended June 30, 2019. The Agency's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for the Agency's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

KraftCPAs PLLC • Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • phone: 615-242-7351 • fax: 615-782-4271 • kraftcpas.com

OPINION ON THE MAJOR FEDERAL PROGRAM

In our opinion, Nashville CARES complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

The Agency's response to the internal control over compliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KraftCPAs PLLC

Nashville, Tennessee
March 26, 2020

NASHVILLE CARES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2019

Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	____ yes	x no
• Significant deficiency(ies) identified?	x yes	____ none reported
Noncompliance material to financial statements noted?	____ yes	x no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	____ yes	x no
• Significant deficiency(ies) identified?	x yes	____ none reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ yes	x no

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
93.914	HIV Emergency Relief Project Grants

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	x yes	____ no

Section II - Financial Statement Findings

2019-001 Reconciliation of bank accounts

Criteria:

Bank accounts should be reconciled monthly and outstanding or reconciling items should be reviewed and analyzed for appropriate resolution on a timely basis.

Statement of Condition:

Monthly reconciliations were not performed timely for one of the Agency's bank accounts.

Context:

Bank reconciliations for one account had not been prepared for several months.

Effect:

Due to the time elapsed between the transactions occurring and the reconciliations being prepared, there is potential for errors to occur that would not be addressed in a timely manner.

Cause:

Cash reconciliations were not performed timely due to backlog of reconciliations as a result of turnover in accounting staff.

Repeat Finding:

2018-001 in the prior year

Recommendation:

The Agency should prepare bank reconciliations each month as part of the monthly closing process to ensure that transactions are reasonable and accurately recorded and reviewed by appropriate personnel.

Section II - Financial Statement Findings (Continued)

2019-001 Reconciliation of bank accounts (continued)

Management's Response

We concur and have taken steps outlined below as corrective action.

Reconciliations of all bank accounts are being completed before the end of the month following the statement closing date. The Accounting staff will complete the most complicated bank reconciliation and the Accounting Manager will complete the other bank reconciliations. All reconciliations will be submitted to the Chief Financial and Administrative Officer by the established deadline. The Chief Financial and Administrative Officer will review and approve all bank reconciliations.

Due to the change of CFAO and the Budget Manager's position not being filled, we had a delay on completing the reconciliation. As of June 30, 2019, the bank reconciliation was completed on all our bank accounts. The improvement will continue to be made on the timing of the bank reconciliations. Our expectation is to have all bank accounts reconciled in a timely manner every month.

Section III - Federal Award Findings

2019-001 Reconciliation of bank accounts

See Section II - item 2019-001 for a description of this finding as it relates to both internal control over financial reporting and federal awards.