TENNESSEE FAMILY SOLUTIONS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

TENNESSEE FAMILY SOLUTIONS, INC.

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Board of Directors

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

The Board of Directors
Tennessee Family Solutions, Inc.
Nashville, Tennessee

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Family Solutions, Inc. 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 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 Tennessee Family Solutions, Inc. 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 consolidated 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tennessee Family Solutions, Inc.'s ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 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, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 Tennessee Family Solutions, Inc.'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tennessee Family Solutions, Inc.'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. The other information comprises the list of board of directors on page ii but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 September 15, 2022, on our consideration of Tennessee Family Solutions, Inc.'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 Tennessee Family Solutions, Inc.'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 Tennessee Family Solutions, Inc.'s internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
September 15, 2022

TENNESSEE FAMILY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30, 2022	June 30, 2021
Cash and cash equivalents	$ 2,960,665	$ 2,754,189
Agency fund cash (Note C)	163,117	193,114
Accounts receivable, no allowance considered necessary	1,617,632	1,491,115
Other receivables	97,186	43,362
Prepaid expenses and other assets	83,605	110,779
Property, buildings, and equipment, net (Notes D, E, and F)	10,754,535	11,290,425
Total assets	$ 15,676,740	$ 15,882,984

LIABILITIES AND NET ASSETS

	2022	2021
Liabilities:		
Accounts payable and accrued expenses	203,237	$ 181,837
Funds held in custody for residents (Note C)	163,117	193,114
Accrued payroll and compensated absences	521,585	502,722
Notes payable, net (Note F)	2,979,468	3,135,963
Bonds payable, net (Note E)	4,859,974	5,329,457
Total liabilities	8,727,381	9,343,093
Net Assets:		
Net assets without donor restrictions	6,949,359	6,539,891
Total net assets	6,949,359	6,539,891
Total liabilities and net assets	$ 15,676,740	$ 15,882,984

See accompanying notes to financial statements.

TENNESSEE FAMILY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Without Donor Restrictions	
	Year Ended June 30,	
	2022	2021
Support:		
Contributions	$ 7,384	$ 15,904
Total support	7,384	15,904
Revenue:		
Health and related services, net	11,518,735	10,875,008
Gain on forgiveness of note payable	-	1,482,291
Other income	31,700	31,644
Total revenue	11,550,435	12,388,943
Total support and revenue	11,557,819	12,404,847
Expenses:		
Program services	8,325,349	8,291,829
General and administrative	2,823,002	2,495,886
Total expenses	11,148,351	10,787,715
Increase in net assets	409,468	1,617,132
Net assets at beginning of year	6,539,891	4,922,759
Net assets at end of year	$ 6,949,359	$ 6,539,891

See accompanying notes to financial statements.

TENNESSEE FAMILY SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	2022		
	Program Services	General and Administrative	Total
Salaries	$ 5,352,008	$ 1,258,071	$ 6,610,079
Employee benefits and taxes	454,639	348,369	803,008
Total salaries and related expenses	5,806,647	1,606,440	7,413,087
Advertising	-	41,165	41,165
Property leases	67,320	9,883	77,203
Property taxes and dues	28,444	18,604	47,048
Utilities	197,754	15,652	213,406
Food	250,871	3,399	254,270
Maintenance	117,028	88,304	205,332
Equipment lease	22,102	24,213	46,315
Supplies	197,291	25,862	223,153
Travel	52,656	27,816	80,472
Professional services	127,442	271,501	398,943
ICF/MR tax	128,107	-	128,107
Insurance	-	348,322	348,322
Administrative services	66,927	145,637	212,564
Foster care program	271,130	-	271,130
Communication	84,025	37,570	121,595
Other operating expenses	1,785	9,293	11,078
Total other expenses	1,612,882	1,067,221	2,680,103
Total operating expenses before interest, depreciation, and amortization	7,419,529	2,673,661	10,093,190
Interest expense	303,239	72,511	375,750
Amortization expense	18,844	6,749	25,593
Depreciation expense	583,737	70,081	653,818
Total expenses per statement of activities	$ 8,325,349	$ 2,823,002	$ 11,148,351

See accompanying notes to financial statements.

TENNESSEE FAMILY SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	2021		
	Program Services	General and Administrative	Total
Salaries	$ 5,295,011	$ 1,172,550	$ 6,467,561
Employee benefits and taxes	437,783	332,974	770,757
Total salaries and related expenses	5,732,794	1,505,524	7,238,318
Advertising	-	36,254	36,254
Property leases	69,883	9,042	78,925
Property taxes and dues	25,628	20,547	46,175
Utilities	198,743	12,850	211,593
Food	251,017	3,287	254,304
Maintenance	110,874	62,449	173,323
Equipment lease	24,168	13,465	37,633
Supplies	188,647	24,728	213,375
Travel	42,035	17,186	59,221
Professional services	104,030	126,545	230,575
ICF/MR tax	128,392	-	128,392
Insurance	-	323,111	323,111
Administrative services	67,582	146,470	214,052
Foster care program	247,772	-	247,772
Communication	91,893	33,196	125,089
Other operating expenses	699	6,292	6,991
Total other expenses	1,551,363	835,422	2,386,785
Total operating expenses before interest, depreciation, and amortization	7,284,157	2,340,946	9,625,103
Interest expense	395,291	75,183	470,474
Amortization expense	18,844	6,749	25,593
Depreciation expense	593,537	73,008	666,545
Total expenses per statement of activities	$ 8,291,829	$ 2,495,886	$ 10,787,715

See accompanying notes to financial statements.

TENNESSEE FAMILY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended June 30, 2022	Year ended June 30, 2021
Cash flows from operating activities:		
Increase in net assets	$ 409,468	$ 1,617,132
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Items not requiring cash:		
Depreciation and amortization	679,411	692,138
Gain on sale of equipment	(21,699)	(17,892)
Gain on forgiveness of note payable	-	(1,482,291)
Changes in:		
Receivables	(180,341)	81,361
Prepaid expenses and other assets	27,174	358
Accounts payable and accrued expenses	40,263	(281,572)
Net cash provided by operating activities	954,276	609,234
Cash flows from investing activities:		
Purchases of property, buildings, and equipment	(117,927)	(90,867)
Proceeds from sale of equipment	21,699	22,988
Net cash used in investing activities	(96,228)	(67,879)
Cash flows from financing activities:		
Principal payments on bonds payable	(488,327)	(444,861)
Principal payments on notes payable	(163,245)	(160,573)
Net cash used in financing activities	(651,572)	(605,434)
Net change in cash and cash equivalents	206,476	(64,079)
Cash and cash equivalents at beginning of year	2,754,189	2,818,268
Cash and cash equivalents at end of year	$ 2,960,665	$ 2,754,189
Supplemental disclosures:		
Cash paid for interest	$ 375,750	$ 470,474
Noncash financing activities:		
Forgiveness of note payable	$ -	$ 1,482,291

See accompanying notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and General

Tennessee Family Solutions, Inc., (the Corporation) is a nonprofit corporation organized on October 25, 1999. The Corporation's primary mission is to provide residential and support services to children and adults with severe and multiple disabilities allowing them the opportunity to lead safe, stable and personally fulfilling lifestyles in Tennessee communities. Orchard Foundation, LLC is a wholly-owned subsidiary of the Corporation, formed in fiscal year 2011 for the purpose of future acquisition and development of residential care facilities. The financial statements and footnotes are presented on a consolidated basis with all significant intercompany balances and transactions eliminated in the consolidation. The significant accounting policies and practices followed by the Corporation, are presented below to assist the reader in evaluating the consolidated financial statements.

Basis of Presentation

The consolidated financial statements of the Corporation have been prepared using the accrual basis of accounting.

The Corporation classifies its support, revenue, expenses, gains, and losses into two classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of the Corporation and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the mission and primary objectives of the Corporation. These net assets may be used at the discretion of management and the Board of Directors. Funds designated by the Corporation's Board represent funds for which the Board has set general guidelines for use.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature; whereby the donor has stipulated funds be maintained in perpetuity, but may permit the Corporation to use or expend part or all of the income derived from the donated assets.

The amount for each of these classes of net assets is presented in the consolidated statements of financial position and the amount of change in each class of net assets is displayed in the consolidated statements of activities. There were no net assets with donor restrictions as of June 30, 2022 and 2021.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The Corporation considers all cash and liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents. The Corporation maintains cash balances in financial institutions that it considers to be high quality financial institutions. (See Note N).

Contributions

The Corporation reports gifts of cash and other assets as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

The Corporation reports gifts of property and equipment as increases in net assets without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as increases in net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue Recognition for Health and Related Services

Revenue from health and related services is based on consideration defined in the contracts. Health and related services revenue is recognized at a point in time as the performance obligations are provided. Performance obligations are satisfied as the health and related services are provided daily.

The Corporation has agreements with third-party payers that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Health and related services revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered. The contracts do not have a significant financing component or variable consideration elements. The Corporation participates in certain Medicaid programs.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable consist of amounts due from patients and third-party payers for health and related services provided. Accounts receivable are carried at cost less an allowance for doubtful accounts. Accounts receivable are periodically evaluated for collectability. Provisions for uncollectible accounts are determined on the basis of experience, known and inherent risks, and current economic conditions. No allowance was considered necessary at June 30, 2022 and 2021.

Donated Services and Materials

A substantial number of unpaid volunteers have made significant contributions of their time to the Corporation’s programs and administrative activities. The value of this contributed time is not reflected in these consolidated financial statements since it is not susceptible to objective measurement or valuation. Donated materials are recorded at fair market value at the date of the gift.

Property, Buildings, and Equipment

Property, buildings, and equipment are carried at cost. Property donated is recorded at its estimated market value at the date of the gift. The Corporation capitalizes asset additions greater than $1,000 that have a useful life of more than one year. Additions that do not meet these criteria are expensed when purchased. Repairs and maintenance are charged to expenses as incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. No interest was capitalized for the years ended June 30, 2022 and 2021. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following is a summary of useful lives:

Buildings	25 years
Equipment and vehicles	3 - 5 years
Leasehold improvements	3 - 10 years

Debt Issuance Costs

Costs incurred in connection with the issuance of the Corporation’s bonds and notes payable have been capitalized and are being amortized using the straight-line method, which approximates the interest method, over the term of the loans. Unamortized debt issuance costs are presented as a direct deduction from the carrying amount of the related liability in the consolidated statements of financial position.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Tax Status

The Corporation is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code; and accordingly, no provision for income tax is included in the accompanying financial statements. The Corporation is not classified as a private foundation.

The Corporation accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Corporation include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the Corporation has determined that such tax positions do not result in an uncertainty requiring recognition.

Use of Estimates

Judgment and estimation are exercised by management in certain areas of the preparation of financial statements. The most significant estimates include the recovery period for buildings and equipment, the collectability of receivables, and the allocation of functional expenses. Management believes that such estimates have been based on reasonable assumptions and that such estimates are appropriate. Actual results could differ from those estimates.

Functional Expenses

Expenses have been allocated by function into program services and general and administrative activities benefited based on certain estimates made by management.

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at June 30, 2022 and 2021:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 2,960,665	$ 2,754,189
Agency fund cash	163,117	193,114
Accounts and other receivables	1,714,818	1,534,477
Total financial assets	4,838,600	4,481,780
Less amounts not available to be used for general expenditures within one year:		
Funds held in custody for residents	(163,117)	(193,114)
Financial assets available to meet general expenditures within one year	$ 4,675,483	$ 4,288,666

The Corporation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Corporation has various sources of liquidity at its disposal, including cash and cash equivalents, accounts and other receivables, as well as an available line of credit.

C. FUNDS HELD IN CUSTODY FOR RESIDENTS

The Corporation serves as custodian for social security, patient and supplemental security income received for certain residents and miscellaneous contributions. These funds are deposited into the agency fund cash account. As of June 30, 2022 and 2021, the Corporation was serving as custodian for $163,117 and $193,114, respectively, which represents the unexpended personal funds held for residents.

D. PROPERTY, BUILDINGS, AND EQUIPMENT

Property, buildings, and equipment at June 30, 2022 and 2021, consisted of the following:

	2022	2021
Land	$ 1,395,630	$ 1,379,349
Buildings	14,791,306	14,728,227
Equipment and vehicles	1,069,955	1,068,208
Leasehold improvements	241,537	241,537
Total property, buildings, and equipment	17,498,428	17,417,321
Less accumulated depreciation	(6,743,893)	(6,126,896)
	$ 10,754,535	$ 11,290,425

E. BONDS PAYABLE

During the year ended June 30, 2011, the Corporation used the proceeds from the sale of $7,883,000 Health Facilities Revenue Bonds, Series 2011A and $2,000,000 Health Facilities Revenue Bonds, Series 2011B to finance a portion of the acquisition of certain residential care facilities.

Bonds payable at June 30, 2022 and 2021, consisted of the following:

	2022	2021
Health Care Facilities Revenue Bonds, Series 2011A*	$ 3,495,500	$ 3,885,500
Health Care Facilities Revenue Bonds, Series 2011B**	1,527,112	1,625,438
	5,022,612	5,510,938
Less: unamortized debt issuance costs	(162,638)	(181,481)
Total bonds payable, net	$ 4,859,974	$ 5,329,457

*fixed rate of 3.01% at June 30, 2022
**fixed rate of 12% at June 30, 2022

E. BONDS PAYABLE - Continued

Series 2011A

Variable interest (fixed rate through January 31, 2026), tax exempt Health Care Facilities Revenue Bonds, Series 2011A are dated February 17, 2011, and mature serially through March 1, 2031. The bonds were issued by the Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee (the “Metropolitan Board”). The Corporation has issued a note payable to the Metropolitan Board for the bonds pursuant to a Loan Agreement secured by the revenues and assets of the Corporation. The agreements require monthly principal installments of \$32,500 commencing on April 1, 2011 and due the 1st of each month thereafter. Interest on the bonds is due on the first business day of every month commencing April 1, 2011. Payments for the bonds are required to be deposited with the trustee for retirement of bond principal and interest.

Optional Redemption

The Series 2011A bonds are subject to optional redemption prior to maturity at the option of the Corporation, subject to the consent of the Metropolitan Board, in whole or in part prior to maturity on any interest rate adjustment date at a redemption price of 100% of the principal amount to be redeemed plus accrued interest thereon to the date of redemption, plus a prepayment penalty ranging from 0% to 3% of the principal prepayment amount based on the date of such prepayment.

Mandatory Redemption

The mandatory redemption amounts of the bonds are shown as principal reductions during the year of required redemption. The bonds will be redeemed at 100% of the principal amount, plus accrued interest to the redemption date.

The bonds are also subject to extraordinary mandatory redemption, in whole or in part, in the event of certain circumstances or determinations, which include a determination of taxability. The bonds, depending on the circumstances, would be redeemed at the redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date, plus the sum of the present value of the difference between the interest due at date of redemption and what would have been due had the Corporation chosen not to prepay.

E. BONDS PAYABLE - Continued

Series 2011B

Fixed interest, tax exempt Health Facilities Revenue Refunding Bonds, Series 2011B are dated February 17, 2011, and mature serially through December 5, 2030. The bonds were issued by the Metropolitan Board. The Corporation has issued a note payable to the Metropolitan Board for the bonds pursuant to a loan agreement secured by the revenues and assets of the Corporation. The agreements require quarterly principal and interest installments of $72,266 commencing on March 5, 2016. Interest accrues at the rate of 12%.

Optional Redemption

Beginning January 1, 2021, the Series 2011B bonds are subject to optional redemption prior to maturity at the option of the Corporation, subject to the consent of the Metropolitan Board, in whole or in part prior to maturity on any interest rate adjustment date at a redemption price equal to the following percentages of the principal amount to be redeemed plus accrued interest thereon to the date of redemption as follows:

Redemption Date	Redemption Price
During 2022	104%
During 2023	103%
During 2024	102%
During 2025	101%
Thereafter	Par

Mandatory Redemption

The mandatory redemption amounts of the bonds are shown as principal reductions during the year of required redemption. The bonds will be redeemed at 100% of the principal amount, plus accrued interest to the redemption date.

The bonds are also subject to extraordinary mandatory redemption, in whole or in part, in the event of certain circumstances or determinations, which include a determination of taxability. The bonds, depending on the circumstances, would be redeemed at redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date, plus the sum of the present value of the difference between the interest due at date of redemption and what would have been due had the Corporation chosen not to prepay.

E. BONDS PAYABLE - Continued

The loan agreements contain various financial covenants. The Corporation was in compliance with these covenants at June 30, 2022.

The maturities of bonds payable at June 30, 2022, are as follows:

Year Ending June 30,	Amount
2023	$ 500,668
2024	514,557
2025	530,191
2026	547,786
2027	567,589
Thereafter	2,361,821
	5,022,612
Less: unamortized debt issuance costs	(162,638)
Total	$ 4,859,974

F. NOTES PAYABLE

A summary of notes payable at June 30, 2022 and 2021 is as follows:

	2022	2021
Note payable to financial institution due in monthly principal and interest installments of $11,907 at 4.80%, maturing January 2025, secured by certain property.	$ 1,452,260	$ 1,512,905
Note payable to financial institution due in monthly principal installments of $8,550, plus interest at the Prime Rate minus 4.00% but not less than 0.00% (0.75% at June 30, 2022), maturing March 2025, secured by certain property.	1,545,690	1,648,290
	2,997,950	3,161,195
Less: unamortized debt issuance costs	(18,482)	(25,232)
Total notes payable, net	$ 2,979,468	$ 3,135,963

The future notes payable maturities at June 30, 2021, are as follows:

Year Ending June 30,	Amount
2023	$ 166,496
2024	169,494
2025	2,661,960
	2,997,950
Less: unamortized debt issuance costs	(18,482)
Total	$ 2,979,468

G. LINE-OF-CREDIT

At June 30, 2022 and 2021, the Corporation has a revolving line-of-credit with a financial institution of $500,000 in order to meet working capital needs. The line-of-credit is secured by the assets of the Corporation. As of June 30, 2022 and 2021, there were no outstanding borrowings under the agreement.

H. CONTRACTS

The balances of receivables, contract assets, and contract liabilities consist of the following at June 30, 2022, 2021, and 2020:

	2022	2021	2020
Accounts receivable	$1,617,632	$1,491,115	$1,558,537
Contract assets	$ -	$ -	$ -
Contract liabilities	$ -	$ -	$ -

I. OPERATING LEASES

The Corporation leases certain facilities, equipment, and vehicles under noncancelable operating leases. The leases expire at various dates through January 2024. Total rent expense was $123,518 and $116,558 for fiscal year 2022 and 2021, respectively.

A summary of the future minimum rental payments under the remaining operating leases at June 30, 2022, is as follows:

Year Ending June 30,	Amount
2023	$65,818
2024	17,275
2025	5,287
	$88,380

J. SIGNIFICANT FUNDING SOURCES

Approximately 99% and 88% of the Corporation's total support and revenue was provided through Medicaid programs for the years ended June 30, 2022 and 2021, respectively.

K. RETIREMENT PLAN

The Corporation maintains a defined contribution retirement plan covering substantially all of its employees. The Corporation may make discretionary contributions on the employee's behalf. Employees are vested immediately in benefits arising from their contributions. Benefits relating to contributions by the Corporation become fully vested after two years of participation. Contributions totaled $41,852 and $34,043 for the years ended June 30, 2022 and 2021, respectively.

L. ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising costs for the fiscal years ended June 30, 2022 and 2021 were $41,165 and $36,254, respectively.

M. MANAGEMENT AND CONSULTING CONTRACTS

The Corporation has a five-year service agreement with Eidetik, Inc. Under the terms of the contract, effective January 1, 2021, Eidetik, Inc. provides certain services including financial management, human resources and employee training, technology, and program quality evaluation. Base fees are $10,000 per month plus 2.75% of monthly collections of revenue for ICF/MR beds.

N. CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash and cash equivalents in financial institutions at balances, which, at times, may be uninsured or may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant risk of loss on cash and cash equivalents. The Corporation derives a majority of its revenues from the State of Tennessee under Medicaid programs. Credit risk extends to receivables, which are uncollateralized. Management does not believe there is any significant collection risk.

O. SUBSEQUENT EVENTS

The Corporation evaluated subsequent events through September 15, 2022, the issuance date of the Corporation's consolidated financial statements, and have determined that there are no subsequent events that require disclosure.

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*

The Board of Directors
Tennessee Family Solutions, Inc.
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 consolidated financial statements of Tennessee Family Solutions, Inc., (a Tennessee not-for-profit corporation), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 15, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Tennessee Family Solutions, Inc.'s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tennessee Family Solutions, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Tennessee Family Solutions, Inc.'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tennessee Family Solutions, Inc.'s consolidated 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 consolidated financial statements. 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*.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crosslin, PLLC

Nashville, Tennessee
September 15, 2022