

NASHVILLE CARES

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2015 AND 2014

NASHVILLE CARES
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FINANCIAL STATEMENTS,
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JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nashville CARES
Nashville, Tennessee

REPORT ON 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, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows 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 Agency'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 Agency'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.

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, 2015 and 2014, 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 U. S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of state awards is 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 December 21, 2015 on our consideration of Nashville CARES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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' internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "Knapp CPAs PLLC".

Nashville, Tennessee
December 21, 2015

NASHVILLE CARES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 4,571,920 | \$ 1,110,005 |
| Accounts receivable | 1,718 | 9,464 |
| Federal, state and local government grants and contracts receivable | 1,080,025 | 1,086,402 |
| Contributions receivable: | | |
| United Way | 12,228 | 23,025 |
| Foundation and outcome-based grants receivable | 42,150 | 55,530 |
| HCA Caring for the Community | 17,903 | 18,512 |
| Other workplace campaign | 31,421 | 25,962 |
| Major gifts receivable | 32,133 | 31,706 |
| Special events receivable | 57,258 | 42,085 |
| Prepaid expenses and other | 100,904 | 111,228 |
| Property and equipment | 2,658,809 | 2,734,746 |
| Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee | 32,838 | 28,826 |
| TOTAL ASSETS | <u>\$ 8,639,307</u> | <u>\$ 5,277,491</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>LIABILITIES</u> | | |
| Checks issued in excess of deposits | \$ 33,145 | \$ 19,839 |
| Accounts payable | 280,465 | 35,802 |
| Accrued payroll and compensated absences | 298,806 | 242,885 |
| Deferred revenue | 4,026,181 | 802,185 |
| Line of credit | 154,747 | 455,271 |
| Note payable | 1,884,285 | 1,950,863 |
| TOTAL LIABILITIES | <u>6,677,629</u> | <u>3,506,845</u> |
| <u>COMMITMENTS AND CONTINGENCIES</u> | | |
| <u>NET ASSETS</u> | | |
| Unrestricted: | | |
| Undesignated | 961,223 | 761,117 |
| Designated for property and equipment, less related debt | 774,524 | 783,883 |
| Designated for beneficial interest in agency endowment fund | 32,838 | 28,826 |
| Total unrestricted | 1,768,585 | 1,573,826 |
| Temporarily restricted | 193,093 | 196,820 |
| TOTAL NET ASSETS | <u>1,961,678</u> | <u>1,770,646</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 8,639,307</u> | <u>\$ 5,277,491</u> |

See accompanying notes to financial statements.

NASHVILLE CARES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

| | 2015 | | |
|--|---------------------|---------------------------|---------------------|
| | UNRESTRICTED | TEMPORARILY RESTRICTED | Total |
| PUBLIC SUPPORT AND REVENUE | | | |
| Public Support: | | | |
| Annual Campaign | \$ 155,263 | \$ 45,776 | \$ 201,039 |
| Sanford Bloch Memorial Fund | 5,365 | - | 5,365 |
| United Way designations | - | 7,577 | 7,577 |
| HCA Caring for the Community designations | - | 22,906 | 22,906 |
| Other workplace campaign designations | 3,778 | 21,718 | 25,496 |
| Religious gifts | 13,670 | - | 13,670 |
| Special events | 313,175 | 143,688 | 456,863 |
| Federal, state and local grants and contracts | 20,780,885 | - | 20,780,885 |
| Foundation and corporate grants | 126,648 | 311,399 | 438,047 |
| Total Public Support | 21,398,784 | 553,064 | 21,951,848 |
| Interest income | 1,227 | - | 1,227 |
| Other revenue | 16,466 | - | 16,466 |
| Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee | 262 | - | 262 |
| Net assets released resulting from satisfaction of donor restrictions | 556,791 | (556,791) | - |
| TOTAL PUBLIC SUPPORT AND REVENUE | 21,973,530 | (3,727) | 21,969,803 |
| EXPENSES | | | |
| Program Services: | | | |
| Case management services | 1,417,989 | - | 1,417,989 |
| Housing and financial assistance | 541,771 | - | 541,771 |
| Emotional health and wellness | 613,048 | - | 613,048 |
| Onsite services | 654,937 | - | 654,937 |
| Educational services | 1,016,195 | - | 1,016,195 |
| Public policy and advocacy | 110,049 | - | 110,049 |
| Dental services | 1,450,403 | - | 1,450,403 |
| Insurance services | 14,530,235 | - | 14,530,235 |
| Supporting Services: | | | |
| Management and general | 816,373 | - | 816,373 |
| Marketing | 156,950 | - | 156,950 |
| Fund development | 433,310 | - | 433,310 |
| Volunteer services | 37,511 | - | 37,511 |
| TOTAL EXPENSES | 21,778,771 | - | 21,778,771 |
| CHANGE IN NET ASSETS | 194,759 | (3,727) | 191,032 |
| NET ASSETS - BEGINNING OF YEAR | 1,573,826 | 196,820 | 1,770,646 |
| NET ASSETS - END OF YEAR | \$ 1,768,585 | \$ 193,093 | \$ 1,961,678 |

See accompanying notes to financial statements.

2014

| UNRESTRICTED | TEMPORARILY RESTRICTED | Total |
|--------------|---------------------------|--------------|
| \$ 167,823 | \$ 54,153 | \$ 221,976 |
| 14,880 | - | 14,880 |
| 2,749 | 18,056 | 20,805 |
| 1,185 | 24,067 | 25,252 |
| 4,531 | 22,298 | 26,829 |
| 17,027 | - | 17,027 |
| 345,778 | 151,326 | 497,104 |
| 12,285,147 | - | 12,285,147 |
| 108,017 | 227,353 | 335,370 |
| 12,947,137 | 497,253 | 13,444,390 |
| 1,061 | - | 1,061 |
| 3,326 | - | 3,326 |
| 3,376 | - | 3,376 |
| 563,604 | (563,604) | - |
| 13,518,504 | (66,351) | 13,452,153 |
| 1,581,928 | - | 1,581,928 |
| - | - | - |
| 530,014 | - | 530,014 |
| 483,491 | - | 483,491 |
| 857,743 | - | 857,743 |
| 92,241 | - | 92,241 |
| 944,220 | - | 944,220 |
| 7,592,807 | - | 7,592,807 |
| 883,074 | - | 883,074 |
| 48,576 | - | 48,576 |
| 351,502 | - | 351,502 |
| 47,155 | - | 47,155 |
| 13,412,751 | - | 13,412,751 |
| 105,753 | (66,351) | 39,402 |
| 1,468,073 | 263,171 | 1,731,244 |
| \$ 1,573,826 | \$ 196,820 | \$ 1,770,646 |

NASHVILLE CARES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 191,032 | \$ 39,402 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 95,569 | 92,763 |
| Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee | (262) | (3,376) |
| (Increase) decrease in: | | |
| Accounts receivable | 7,746 | 14,318 |
| Federal, state and local government grants receivable | 6,377 | (180,434) |
| Contributions receivable | 3,727 | 66,351 |
| Prepaid expenses and other | 10,324 | (10,845) |
| Increase (decrease) in: | | |
| Checks issued in excess of deposits | 13,306 | (29,831) |
| Accounts payable | 244,663 | (28,307) |
| Grant funds reimbursable to the State | - | (92,761) |
| Accrued payroll and compensated absences | 55,921 | (6,709) |
| Deferred revenue | 3,223,996 | (57,462) |
| NET ADJUSTMENTS | <u>3,661,367</u> | <u>(236,293)</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>3,852,399</u> | <u>(196,891)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (19,632) | (66,581) |
| Contributions to agency endowment fund | (5,250) | (5,474) |
| Distributions from agency endowment fund | 1,500 | 1,200 |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(23,382)</u> | <u>(70,855)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on note payable | (66,578) | (63,617) |
| Net borrowings (repayments) on line of credit | (300,524) | 318,915 |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | <u>(367,102)</u> | <u>255,298</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,461,915 | (12,448) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>1,110,005</u> | <u>1,122,453</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 4,571,920</u> | <u>\$ 1,110,005</u> |
| SUPPLEMENTAL CASH FLOW DISCLOSURE: | | |
| Interest paid during the year | <u>\$ 106,227</u> | <u>\$ 104,924</u> |

See accompanying notes to financial statements.

NASHVILLE CARES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

| | PROGRAM SERVICES | | | | | | | | SUPPORTING SERVICES | | | | TOTALS |
|---|--------------------------------|--------------------------------------|-----------------------------------|--------------------|-------------------------|--------------------------------|---------------------|-----------------------|------------------------------|-------------------|---------------------|-----------------------|----------------------|
| | CASE MANAGEMENT SERVICES | HOUSING & FINANCIAL ASSISTANCE | EMOTIONAL HEALTH & WELLNESS | ONSITE SERVICES | EDUCATIONAL SERVICES | PUBLIC POLICY & ADVOCACY | DENTAL SERVICES | INSURANCE SERVICES | MANAGEMENT AND GENERAL | MARKETING | FUND DEVELOPMENT | VOLUNTEER SERVICES | |
| Salaries | \$ 968,503 | \$ 34,632 | \$ 396,380 | \$ 219,579 | \$ 634,086 | \$ 74,287 | \$ 86,111 | \$ 300,083 | \$ 497,203 | \$ 67,123 | \$ 202,951 | \$ 25,075 | \$ 3,506,013 |
| Employee taxes and fringe benefits | 242,388 | 7,729 | 98,137 | 51,318 | 166,678 | 16,101 | 21,737 | 80,333 | 99,536 | 14,338 | 41,000 | 5,634 | 844,929 |
| TOTAL PAYROLL AND RELATED EXPENSES | 1,210,891 | 42,361 | 494,517 | 270,897 | 800,764 | 90,388 | 107,848 | 380,416 | 596,739 | 81,461 | 243,951 | 30,709 | 4,350,942 |
| Client assistance | - | 498,180 | - | 341,724 | 37,582 | - | 1,320,989 | 14,075,740 | - | - | - | - | 16,274,215 |
| Advertising | - | - | - | - | - | - | - | - | 835 | 505 | - | - | 1,340 |
| Audit | - | - | - | - | - | - | - | - | 28,570 | - | - | - | 28,570 |
| Bank fees and interest expense | - | - | - | - | - | - | - | - | 27,028 | - | 3,061 | - | 30,089 |
| Conferences and training | 1,206 | - | 2,904 | - | 15,690 | 5,241 | - | - | 3,096 | 187 | 1,741 | 60 | 30,125 |
| Contracts | - | - | - | - | - | - | - | - | - | - | 14,000 | - | 14,000 |
| Depreciation on furniture and equipment | 27,294 | 582 | 11,259 | 8,658 | 19,199 | 1,378 | 2,627 | 7,556 | 10,316 | 1,352 | 4,048 | 1,300 | 95,569 |
| Equipment rental and maintenance | - | - | - | - | - | - | - | - | 13,870 | - | - | - | 13,870 |
| Insurance | - | - | - | - | - | - | - | - | 35,224 | - | - | - | 35,224 |
| Licensure/permits | - | - | 1,010 | 210 | - | 1,120 | - | - | 565 | - | 684 | - | 3,589 |
| Memberships | - | - | - | - | - | 6,000 | - | - | 1,319 | 740 | - | 400 | 8,459 |
| Occupancy | 40,078 | 501 | 16,449 | 12,260 | 27,888 | 2,003 | 3,693 | 10,700 | 31,245 | 1,902 | 5,701 | 1,913 | 154,333 |
| Participation fees | - | - | - | - | 6,643 | - | - | - | - | 2,930 | 199 | - | 9,772 |
| Postage | 2,751 | 1 | 83 | 3,966 | 235 | 3 | 3,726 | 21,346 | 587 | 327 | 3,141 | 342 | 36,508 |
| Printing | 6,640 | 6 | 777 | 1,131 | 3,116 | 334 | 149 | 942 | 307 | 2,457 | 4,436 | 580 | 20,875 |
| Professional fees | 33,618 | - | 45,689 | 4,723 | 3,701 | 1,165 | 5,100 | 12,050 | 28,425 | 63,406 | 23,598 | 310 | 221,785 |
| Space rental | - | - | - | - | 523 | - | - | - | - | - | - | - | 523 |
| Special event production | - | - | - | - | - | - | - | - | - | - | 113,518 | - | 113,518 |
| Supplies | 67,095 | - | 21,926 | 9,764 | 47,547 | 939 | 5,719 | 16,598 | 27,047 | 1,361 | 12,808 | 1,457 | 212,261 |
| Telephone | 12,456 | 140 | 4,076 | 1,559 | 11,493 | 891 | 541 | 1,714 | 7,416 | 260 | 1,259 | 144 | 41,949 |
| Travel/mileage | 15,775 | - | 8,053 | 45 | 18,483 | 587 | 11 | 106 | 838 | 62 | 1,165 | 296 | 45,421 |
| Van upkeep/gasoline | - | - | - | - | - | - | - | - | 2,946 | - | - | - | 2,946 |
| Volunteer incentives/remuneration | 185 | - | 6,305 | - | 23,331 | - | - | 3,067 | - | - | - | - | 32,888 |
| TOTAL FUNCTIONAL EXPENSES | \$ 1,417,989 | \$ 541,771 | \$ 613,048 | \$ 654,937 | \$ 1,016,195 | \$ 110,049 | \$ 1,450,403 | \$ 14,530,235 | \$ 816,373 | \$ 156,950 | \$ 433,310 | \$ 37,511 | \$ 21,778,771 |

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

| | PROGRAM SERVICES | | | | | | | SUPPORTING SERVICES | | | | TOTALS |
|---|--------------------------------|-----------------------------------|--------------------|-------------------------|--------------------------------|--------------------|-----------------------|------------------------------|------------------|---------------------|-----------------------|---------------------|
| | CASE MANAGEMENT SERVICES | EMOTIONAL HEALTH & WELLNESS | ONSITE SERVICES | EDUCATIONAL SERVICES | PUBLIC POLICY & ADVOCACY | DENTAL SERVICES | INSURANCE SERVICES | MANAGEMENT AND GENERAL | MARKETING | FUND DEVELOPMENT | VOLUNTEER SERVICES | |
| Salaries | \$ 835,031 | \$ 350,525 | \$ 153,761 | \$ 559,876 | \$ 61,306 | \$ 59,264 | \$ 278,477 | \$ 549,517 | \$ 28,553 | \$ 165,447 | \$ 30,867 | \$ 3,072,624 |
| Employee taxes and fringe benefits | 219,493 | 88,301 | 35,521 | 138,030 | 13,922 | 15,468 | 72,385 | 108,084 | 6,346 | 32,588 | 7,615 | 737,753 |
| TOTAL PAYROLL AND RELATED EXPENSES | 1,054,524 | 438,826 | 189,282 | 697,906 | 75,228 | 74,732 | 350,862 | 657,601 | 34,899 | 198,035 | 38,482 | 3,810,377 |
| Client assistance | 396,257 | - | 257,723 | 23,345 | - | 856,930 | 7,183,648 | - | - | - | - | 8,717,903 |
| Advertising | - | - | - | - | - | - | - | 725 | - | - | - | 725 |
| Audit | - | - | - | - | - | - | - | 31,250 | - | - | - | 31,250 |
| Bank fees and interest expense | - | - | - | - | - | - | - | 27,204 | - | 3,541 | - | 30,745 |
| Conferences and training | 337 | 1,147 | - | 4,576 | 3,415 | - | 1,470 | 279 | - | 771 | - | 11,995 |
| Depreciation on furniture and equipment | 24,046 | 11,976 | 7,324 | 18,769 | 1,251 | 1,856 | 7,168 | 13,747 | 1,113 | 3,587 | 1,926 | 92,763 |
| Equipment rental and maintenance | - | - | - | - | - | - | - | 13,510 | - | - | - | 13,510 |
| Insurance | - | - | - | - | - | - | - | 27,776 | - | - | - | 27,776 |
| Licensure/permits | - | 1,010 | - | - | 680 | - | - | 487 | - | 1,007 | - | 3,184 |
| Memberships | - | 200 | - | 20 | 5,500 | - | - | 1,160 | 240 | - | 575 | 7,695 |
| Occupancy | 35,771 | 17,896 | 11,418 | 27,700 | 1,836 | 2,778 | 10,685 | 28,602 | 1,646 | 5,383 | 2,854 | 146,569 |
| Participation fees | - | - | - | 325 | - | - | - | - | 600 | 1,680 | 35 | 2,640 |
| Postage | 2,222 | 350 | 4,899 | 271 | 1 | 2,112 | 16,320 | - | 412 | 4,540 | 192 | 31,319 |
| Printing | 1,117 | 1,342 | 747 | 3,040 | 326 | 30 | 751 | 4,939 | 3,223 | 2,412 | 668 | 18,595 |
| Professional fees | 17,191 | 13,110 | 3,767 | 8,882 | 1,633 | 4,400 | 5,500 | 30,762 | 5,100 | 10,557 | 300 | 101,202 |
| Space rental | - | - | - | 343 | - | - | - | - | - | 1,477 | - | 1,820 |
| Special event production | - | - | - | - | - | - | - | - | - | 108,053 | - | 108,053 |
| Supplies | 17,063 | 21,407 | 6,837 | 29,092 | 860 | 884 | 14,473 | 35,877 | 1,179 | 8,365 | 1,620 | 137,657 |
| Telephone | 14,154 | 3,703 | 1,494 | 11,415 | 954 | 441 | 1,848 | 5,219 | 164 | 1,208 | 244 | 40,844 |
| Travel/mileage | 19,246 | 15,822 | - | 19,188 | 557 | 57 | 82 | 389 | - | 886 | 259 | 56,486 |
| Van upkeep/gasoline | - | - | - | - | - | - | - | 2,942 | - | - | - | 2,942 |
| Volunteer incentives/remuneration | - | 3,225 | - | 12,871 | - | - | - | - | - | - | - | 16,096 |
| Miscellaneous | - | - | - | - | - | - | - | 605 | - | - | - | 605 |
| TOTAL FUNCTIONAL EXPENSES | \$ 1,581,928 | \$ 530,014 | \$ 483,491 | \$ 857,743 | \$ 92,241 | \$ 944,220 | \$7,592,807 | \$ 883,074 | \$ 48,576 | \$ 351,502 | \$ 47,155 | \$13,412,751 |

See accompanying notes to financial statements.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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 accompanying financial statements present the financial position and changes in net assets of the Agency on the accrual basis of accounting in conformity with generally accepted accounting principles (“GAAP”).

Resources are classified as unrestricted, temporarily restricted and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors’ stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Agency had no permanently restricted net assets as of June 30, 2015 or 2014.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, Support and Revenues

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions.

Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to expenditure are recorded initially as deferred revenue.

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, 2015 and 2014 are temporarily restricted and due in less than one year.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

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, most building improvements, and forty years for building and significant building improvements.

Agency Endowment Fund

The Agency's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee (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 4.)

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, 2015 and 2014.

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.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

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.

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 Tennessee. These clients also received case management services. For the year ended June 30, 2014, these expenses were reported in case management services on the statements of activities and functional expenses.

Emotional health and wellness - social services to meet emotional and/or therapeutic needs of HIV-infected individuals and their families.

Onsite services - manages access by clients to Agency's full range of social services and phone access to services via an 800-number. Provides eligibility services for clients via Medical Case Management Associates. 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.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Program Services (Continued)

Dental services - financial assistance for the payment of dental care for persons with HIV/AIDS throughout a 39-county area in Middle Tennessee and Upper Cumberland.

Insurance services - 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 450 volunteers that work in all areas of the Agency.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

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.

Reclassifications

Certain reclassifications have been made to the June 30, 2014 financial statements in order to be comparative with the current year presentation. Such reclassifications had no effect on the results of operations or net assets as previously reported.

Events Occurring After Reporting Date

The Agency has evaluated events and transactions that occurred between June 30, 2015 and December 21, 2015, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consisted of the following as of June 30:

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| HUD - Housing Opportunities for Persons with AIDS (HOPWA) | \$ 164,212 | \$ 136,551 |
| HUD - Emergency Solutions Grant | - | 680 |
| CDC - HIV Prevention and Education | 26,566 | 52,410 |
| CDC - Counseling and Testing Services | 37,793 | 81,760 |
| Ryan White CARE Act - Part B - Medical Case Management | 65,701 | 70,952 |
| Ryan White CARE Act - Part B Care Middle Tennessee | 26,185 | 25,726 |
| Ryan White CARE Act - Part B Dental Assistance Middle Tennessee | 79,216 | 62,531 |
| Ryan White CARE Act - Part A Care Nashville Transitional Grant Area (TGA) | 203,331 | 297,503 |
| Ryan White CARE Act - Part A Dental Assistance Nashville TGA | 47,536 | 56,769 |
| Ryan White CARE Act - Part A Minority AIDS Initiative Nashville TGA | 6,641 | 12,528 |
| Ryan White CARE Act - Part A Minority AIDS Initiatives Dental Nashville TGA | 26,644 | 22,753 |
| Ryan White CARE Act - Part B Insurance Assistance | 354,606 | 209,782 |
| State Department of Mental Health - Early Intervention Services | 16,363 | 17,652 |
| National Institutes of Health | 3,245 | 25,874 |
| Metro Nashville Community Enhancement Grant | <u>21,986</u> | <u>12,931</u> |
| | <u>\$ 1,080,025</u> | <u>\$ 1,086,402</u> |

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

NOTE 3 - PROPERTY AND EQUIPMENT

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

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|---------------------|---------------------|
| Land | \$ 400,000 | \$ 400,000 |
| Building | 1,615,000 | 1,615,000 |
| Building improvements | 833,114 | 822,791 |
| Vehicles | 32,957 | 32,957 |
| Software | 115,033 | 115,033 |
| Furniture and equipment | <u>291,684</u> | <u>282,375</u> |
| | 3,287,788 | 3,268,156 |
| Less accumulated depreciation | <u>(628,979)</u> | <u>(533,410)</u> |
| | <u>\$ 2,658,809</u> | <u>\$ 2,734,746</u> |

NOTE 4 - 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.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

NOTE 4 - AGENCY ENDOWMENT FUND (CONTINUED)

A schedule of changes in the Agency's beneficial interest in this fund for the years ended June 30, 2015 and 2014, follows:

| | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|
| Balance - beginning of year | \$ 28,826 | \$ 21,176 |
| Contributions to the fund | 5,250 | 5,474 |
| Change in value of beneficial interest in agency endowment fund: | | |
| Investment income | 668 | 3,580 |
| Administrative expenses | <u>(406)</u> | <u>(204)</u> |
| | 262 | 3,376 |
| Distributions to the Agency | <u>(1,500)</u> | <u>(1,200)</u> |
| Balance - end of year | <u>\$ 32,838</u> | <u>\$ 28,826</u> |

NOTE 5 - FAIR VALUE MEASUREMENTS

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

| | | <u>2015</u> | | | |
|--|--|----------------|------------------|----------------|------------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Beneficial interest in agency endowment fund | | <u>\$ -</u> | <u>\$ 32,838</u> | <u>\$ -</u> | <u>\$ 32,838</u> |

| | | <u>2014</u> | | | |
|--|--|----------------|------------------|----------------|------------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Beneficial interest in agency endowment fund | | <u>\$ -</u> | <u>\$ 28,826</u> | <u>\$ -</u> | <u>\$ 28,826</u> |

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

NOTE 6 - DEBT

In May 2013, the Agency entered into a new loan agreement with BancorpSouth Bank. The new note had an initial balance of \$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. The note is secured by a deed of trust on the Agency's real estate. This note may be prepaid in whole or in part at any time and requires a prepayment premium for prepayments under certain circumstances prior to May 3, 2018.

A schedule of future principal maturities under the note as of June 30, 2015, follows:

| <u>Year ending June 30,</u> | |
|-----------------------------|---------------------|
| 2016 | \$ 69,426 |
| 2017 | 72,886 |
| 2018 | 76,273 |
| 2019 | 79,819 |
| 2020 | 83,336 |
| Thereafter | <u>1,502,545</u> |
| | <u>\$ 1,884,285</u> |

On December 4, 2012, the Agency entered into a new line of credit agreement with BancorpSouth Bank. The new line of credit allows for maximum borrowings up to \$1,000,000, bears interest at the prime rate (with a floor of 4%) and matures on February 14, 2016. The effective interest rate at June 30, 2015 was 4% and the outstanding balance was \$154,747 (\$455,271 at June 30, 2014). The line of credit is secured by substantially all assets of the Agency, except for real property.

Both the facility note 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, 2015, the Agency was in compliance with this requirement.

Total interest expense incurred by the Agency was \$113,277 in 2015 and \$104,924 in 2014 and is included in occupancy expense for the note payable and in bank fees and interest expense for the line of credit.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30:

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| United Way of Metropolitan Nashville: | | |
| Designations | \$ 12,228 | \$ 23,025 |
| Outcome-based funding grants | 19,650 | 19,650 |
| HCA Caring for the Community campaign | 17,903 | 18,512 |
| Other United Way and workplace campaigns | 31,421 | 25,962 |
| Donation for special events | 57,258 | 42,085 |
| Corporate and foundation grants - operational support for the following year: | | |
| AIDS United | 19,000 | 20,000 |
| Merck | - | 10,000 |
| Meharry Medical | - | 3,380 |
| Annual campaign | 32,133 | 31,706 |
| Religious contributions | <u>3,500</u> | <u>2,500</u> |
| | <u>\$ 193,093</u> | <u>\$ 196,820</u> |

NOTE 8 - 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 has established a matching contribution only for employees with at least five years of service, and at a rate up to a maximum of 2.5% of each eligible employee's compensation, based on seniority. The Agency contributed \$11,462 and \$8,233 during 2015 and 2014, respectively.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

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

The Agency maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of June 30, 2015, the Agency's depository accounts exceeded FDIC insurance limits by approximately \$5,191,000.

SUPPLEMENTARY INFORMATION

NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

| Program Name | Federal CFDA Number | Contract Number | Award Period | Award Amount | (Accrued) Deferred Revenue 7/1/2014 | Receipts | Expenditures | (Accrued) Deferred Revenue 6/30/2015 |
|---|---------------------------|-----------------|-------------------|-----------------|--|-----------|--------------|---|
| <u>FEDERAL AWARDS:</u> | | | | | | | | |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | | | | | | |
| Emergency Food and Shelter National Board Program | 97.024 | N/A | 9-1-14 - 8-31-15 | \$ 6,751 | \$ - | \$ 3,376 | \$ 3,376 | \$ - |
| Emergency Food and Shelter National Board Program | 97.024 | N/A | 9-1-14 - 8-31-15 | \$ 3,179 | - | 1,590 | 1,590 | - |
| TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY | | | | | - | 4,966 | 4,966 | - |
| <u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u> | | | | | | | | |
| PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH: | | | | | | | | |
| Housing Opportunities for Persons with AIDS | 14,241* | GR-12-35783 | 7-1-13 - 6-30-14 | \$ 43,800 | (3,602) | 3,602 | - | - |
| Housing Opportunities for Persons with AIDS | 14,241* | GR-12-35783 | 7-1-14 - 6-30-15 | \$ 54,200 | - | 44,454 | 54,200 | (9,746) |
| PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY: | | | | | | | | |
| Housing Opportunities for Persons with AIDS | 14,241* | N/A | 4-1-14 - 3-31-15 | \$ 599,495 | (132,949) | 599,495 | 466,546 | - |
| Housing Opportunities for Persons with AIDS | 14,241* | N/A | 4-1-15 - 6-30-16 | \$ 620,775 | - | - | 154,466 | (154,466) |
| Emergency Solutions Grant Program | 14,231 | N/A | 7-1-13 - 6-30-14 | \$ 25,000 | (680) | 20,336 | 19,656 | - |
| TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | (137,231) | 667,887 | 694,868 | (164,212) |
| <u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u> | | | | | | | | |
| 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 | 1-1-14 - 12-31-14 | \$ 246,000 | (52,410) | 156,613 | 104,203 | - |
| HIV Prevention Activities - Health Department Based | 93.940 | N/A | 1-1-15 - 12-31-15 | \$ 150,000 | - | 53,512 | 80,078 | (26,566) |
| PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH: | | | | | | | | |
| HIV Prevention Activities - Health Department Based | 93.940 | GR-14-40631 | 1-1-14 - 12-31-14 | \$ 357,300 | (71,155) | 237,943 | 166,788 | - |
| HIV Prevention Activities - Health Department Based | 93.940 | GR-15-43796 | 1-1-15 - 12-31-15 | \$ 281,600 | - | 129,903 | 159,866 | (29,963) |
| PASSED THROUGH TENNESSEE DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES: | | | | | | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | GR-13-38685 | 7-1-13 - 6-30-14 | \$ 160,000 | (17,652) | 17,652 | - | - |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | GR-14-42004 | 7-1-14 - 6-30-15 | \$ 161,235 | - | 144,872 | 161,235 | (16,363) |
| PASSED THROUGH THE UNITED WAY OF METROPOLITAN NASHVILLE: | | | | | | | | |
| HIV Care Formula Grants | 93.917 | N/A | 4-1-14 - 3-31-15 | \$ 145,315 | (25,726) | 138,251 | 112,525 | - |
| HIV Care Formula Grants | 93.917 | N/A | 4-1-15 - 3-31-16 | \$ 159,300 | - | 11,344 | 37,529 | (26,185) |
| HIV Care Formula Grants | 93.917 | N/A | 4-1-14 - 3-31-15 | \$ 978,875 | (62,531) | 892,047 | 829,516 | - |
| HIV Care Formula Grants | 93.917 | N/A | 4-1-15 - 3-31-16 | \$ 330,500 | - | 30,259 | 109,475 | (79,216) |
| HIV Emergency Relief Projects Grants | 93.914* | N/A | 3-1-14 - 2-28-15 | \$ 1,386,691 | (297,503) | 1,272,531 | 975,028 | - |
| HIV Emergency Relief Projects Grants | 93.914* | N/A | 3-1-14 - 2-28-15 | \$ 399,484 | (56,769) | 377,360 | 320,591 | - |
| HIV Emergency Relief Projects Grants | 93.914* | N/A | 3-1-14 - 2-28-15 | \$ 56,656 | (12,528) | 53,403 | 40,875 | - |
| HIV Emergency Relief Projects Grants | 93.914* | N/A | 3-1-14 - 2-28-15 | \$ 157,922 | (22,753) | 146,384 | 123,631 | - |

(continued on following page)

NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

| Program Name | Federal CFDA Number | Contract Number | Award Period | Award Amount | (Accrued) Deferred Revenue 7/1/2014 | Receipts | Expenditures | (Accrued) Deferred Revenue 6/30/2015 |
|---|---------------------------|-----------------|------------------|-----------------|--|--------------|--------------|---|
| <u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued):</u> | | | | | | | | |
| PASSED THROUGH METROPOLITAN PUBLIC HEALTH DEPARTMENT | | | | | | | | |
| HIV Emergency Relief Projects Grants | 93.914* | N/A | 3-1-15 - 2-28-16 | \$ 1,331,238 | \$ - | \$ 174,578 | \$ 377,909 | \$ (203,331) |
| HIV Emergency Relief Projects Grants | 93.914* | N/A | 3-1-15 - 2-28-16 | \$ 154,484 | - | 28,758 | 76,294 | (47,536) |
| HIV Emergency Relief Projects Grants | 93.914* | N/A | 3-1-15 - 2-28-16 | \$ 47,717 | - | 5,458 | 12,099 | (6,641) |
| HIV Emergency Relief Projects Grants | 93.914* | N/A | 3-1-15 - 2-28-16 | \$ 99,821 | - | 16,225 | 42,869 | (26,644) |
| PASSED THROUGH MEDICAL COLLEGE OF WISCONSIN: | | | | | | | | |
| Mental Health Research Grants | 93.242 | 5R01MH091875-03 | 2-1-14 - 5-31-15 | \$ 45,402 | (25,004) | 48,924 | 27,165 | (3,245) |
| Mental Health Research Grants | 93.242 | 1494294 | 6-1-14 - 5-31-15 | \$ 27,000 | (870) | 13,890 | 13,020 | - |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | (644,901) | 3,949,907 | 3,770,696 | (465,690) |
| TOTAL OF EXPENDITURES OF FEDERAL AWARDS | | | | | \$ (782,132) | \$ 4,622,760 | \$ 4,470,530 | \$ (629,902) |

STATE AWARDS:

TENNESSEE DEPARTMENT OF HEALTH:

| | | | | | | | | |
|---|-----|-------------|-------------------|------------|-------------|------------|------------|-------------|
| HIV Care Formula Grants | N/A | GR-14-40204 | 4/1/14 - 3/31/15 | \$ 435,700 | \$ (70,952) | \$ 367,830 | \$ 296,878 | \$ - |
| HIV Care Formula Grants | N/A | GR-15-44419 | 4/1/15 - 3/31/16 | \$ 462,100 | - | 21,705 | 87,406 | (65,701) |
| HIV Prevention Activities - Health Department Based | N/A | GR-14-40631 | 1/1/14 - 12/31/14 | \$ 62,100 | (10,605) | 43,496 | 32,891 | - |
| HIV Prevention Activities - Health Department Based | N/A | GR-15-43796 | 1/1/15 - 12/31/15 | \$ 62,100 | - | 29,457 | 37,287 | (7,830) |
| TOTAL OF EXPENDITURES OF STATE AWARDS | | | | | \$ (81,557) | \$ 462,488 | \$ 454,462 | \$ (73,531) |

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

Summary of Federal Expenditures by CFDA Number:

| | | |
|-----------------------|--------|---------------------|
| BASIS OF PRESENTATION | 14.241 | \$ 675,211 |
| | 14.231 | 19,656 |
| | 93.940 | 510,935 |
| | 93.959 | 161,235 |
| | 93.914 | 1,969,297 |
| | 93.917 | 1,089,045 |
| | 93.242 | 40,185 |
| | 97.024 | 4,966 |
| | | <u>\$ 4,470,530</u> |

The Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of Nashville CARES and is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements. The schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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 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, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2015.

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. 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.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Nashville CARES' 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*.

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.

Handwritten signature in black ink that reads "K. B. CPAs PLLC". The signature is stylized and cursive.

Nashville, Tennessee
December 21, 2015

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 (the "Agency") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2015. The Agency's major federal programs are 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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

OPINION ON EACH 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 each of its major federal programs for the year ended June 30, 2015.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kraft CPAs PLLC". The signature is written in a cursive, flowing style.

Nashville, Tennessee
December 21, 2015

FOR THE YEAR ENDED JUNE 30, 2015