

NASHVILLE CARES

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION

AND

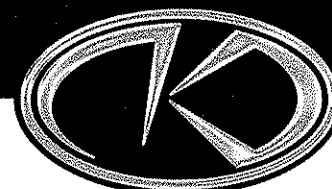
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2005

NASHVILLE CARES  
NASHVILLE, TENNESSEE  
FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND  
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JUNE 30, 2005

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**KraftCPAs**  
PLLC

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Nashville CARES  
Nashville, Tennessee

We have audited the accompanying statements of financial position of Nashville CARES (the "Agency"), a Tennessee not-for-profit corporation, as of June 30, 2005 and 2004, the related statements of activities and functional expenses for the year ended June 30, 2005, and the statements of cash flows for the years ended June 30, 2005 and 2004. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information in the statements of activities and functional expenses have been derived from the Agency's June 30, 2004 financial statements and, in our report dated September 23, 2004, we expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville CARES as of June 30, 2005 and 2004, the changes in its net assets for the year ended June 30, 2005, and its cash flows for the years ended June 30, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2005, on our consideration of Nashville CARES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Nashville CARES taken as a whole. The accompanying schedule of expenditures of federal awards, on pages 14 and 15, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*KraftCPAs PLLC*

Nashville, Tennessee  
November 10, 2005

NASHVILLE CARES  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 39,371	\$ 49,730
Accounts receivable	27,259	17,902
Grants receivable - Note 2	489,052	283,819
Contributions receivable	202,394	220,155
Contracts receivable	41,923	-
Prepaid expenses and other	30,870	24,241
Property and equipment - net - Note 3	1,534,565	88,733
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - Note 7	<u>14,205</u>	<u>13,288</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,379,639</u></b>	<b><u>\$ 697,868</u></b>
<u>LIABILITIES AND NET ASSETS</u>		
<b>LIABILITIES</b>		
Accounts payable	\$ 60,493	\$ 9,256
Checks issued in excess of deposits	140,959	-
Accrued payroll and compensated absences	38,561	114,890
Obligation under line of credit - Note 8	-	50,000
Note payable - Note 8	<u>1,329,933</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,569,946</u></b>	<b><u>174,146</u></b>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	364,818	201,523
Designated for property and equipment, less related debt	204,632	88,733
Designated for beneficial interest in agency endowment fund - Note 7	<u>14,205</u>	<u>13,288</u>
Total unrestricted	583,655	303,544
Temporarily restricted - Note 6	<u>226,038</u>	<u>220,178</u>
<b>TOTAL NET ASSETS</b>	<b><u>809,693</u></b>	<b><u>523,722</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,379,639</u></b>	<b><u>\$ 697,868</u></b>

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005, WITH COMPARATIVE SUMMARIZED INFORMATION FOR 2004

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>	<u>TOTALS</u>
			2005	2004
SUPPORT AND REVENUE				
Public Support:				
Individual gifts	\$ 237,701	\$ 34,909	\$ 272,610	\$ 258,059
United Way allocations	3,845	19,511	23,356	25,075
Special events	338,581	7,000	345,581	358,483
Government grants	4,244,737	-	4,244,737	3,917,830
Foundation and corporate grants	289,326	179,618	468,944	210,672
Contracted services	92,328	-	92,328	-
Investment income	624	-	624	952
Loss on disposal of property and equipment	(12,298)	-	(12,298)	-
Miscellaneous	66,733	-	66,733	34,004
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - Note 7	1,601	-	1,601	2,363
Net assets released resulting from satisfaction of donor restrictions	235,178	(235,178)	-	-
TOTAL SUPPORT AND REVENUE	<u>5,498,356</u>	<u>5,860</u>	<u>5,504,216</u>	<u>4,807,438</u>
EXPENSES				
Program Services:				
Case management services	1,227,109	-	1,227,109	1,267,900
Emotional and practical support services	449,142	-	449,142	520,027
Educational services	350,767	-	350,767	386,963
Volunteer services	62,250	-	62,250	80,322
Dental and insurance assistance	2,335,009	-	2,335,009	2,033,999
Supporting Services:				
Management and general	450,536	-	450,536	159,496
Fundraising	343,432	-	343,432	348,155
TOTAL EXPENSES	<u>5,218,245</u>	<u>-</u>	<u>5,218,245</u>	<u>4,796,862</u>
CHANGE IN NET ASSETS	280,111	5,860	285,971	10,576
NET ASSETS - BEGINNING OF YEAR	<u>303,544</u>	<u>220,178</u>	<u>523,722</u>	<u>513,146</u>
NET ASSETS - END OF YEAR	<u>\$ 583,655</u>	<u>\$ 226,038</u>	<u>\$ 809,693</u>	<u>\$ 523,722</u>

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 285,971	\$ 10,576
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	59,864	38,388
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - Note 7	(1,601)	(2,363)
Loss on disposal of property and equipment	12,298	-
(Increase) decrease in:		
Accounts receivable	(9,357)	(1,986)
Grant receivable	(205,233)	(37,363)
Contributions receivable	17,761	48,769
Contracts receivable	(41,923)	-
Prepaid expenses and other	(6,629)	691
Increase (decrease) in:		
Accounts payable	51,237	(35,073)
Checks issued in excess of deposits	140,959	-
Accrued payroll and compensated absences	(76,329)	16,719
Deferred revenue	-	(37,630)
NET ADJUSTMENTS	(58,953)	(9,848)
NET CASH PROVIDED BY OPERATING ACTIVITIES	227,018	728
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,517,994)	(17,677)
Distributions from agency endowment fund	684	580
NET CASH USED IN INVESTING ACTIVITIES	(1,517,310)	(17,097)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	1,350,000	-
Payments on note payable	(20,067)	-
Proceeds from borrowings under line of credit	-	50,000
Payment on line of credit	(50,000)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,279,933	50,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,359)	33,631
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	49,730	16,099
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 39,371	\$ 49,730
OTHER CASH FLOW DISCLOSURES		
Interest paid during the year	\$ 62,847	\$ -

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2005, WITH COMPARATIVE SUMMARIZED INFORMATION FOR 2004

	PROGRAM SERVICES				SUPPORTING SERVICES		
	CASE MANAGEMENT SERVICES	EMOTIONAL AND PRACTICAL SUPPORT SERVICES	EDUCATIONAL SERVICES	VOLUNTEER SERVICES	MANAGEMENT AND		
					GENERAL	FUNDRAISING	
Salaries	\$ 547,070	\$ 213,478	\$ 203,193	\$ 41,900	\$ 173,537	\$ 229,149	\$ 157,884
Employee taxes and fringe benefits	116,710	45,229	44,296	7,745	39,711	44,107	34,082
TOTAL PAYROLL AND RELATED EXPENSES	663,780	258,707	247,489	49,645	213,248	273,256	1,911,966
Client assistance	427,130	134,619	24,122	-	2,051,365	-	2,637,236
Advertising	-	-	1,961	-	-	2,184	4,145
Audit	-	-	-	-	-	12,820	9,851
Bank fees	-	-	-	-	-	11,475	13,799
Conferences and training	-	200	1,352	-	2,400	95	9,826
Equipment rental and maintenance	963	356	361	62	251	3,358	17,284
Insurance	4,071	1,520	1,471	253	5,912	3,345	5,576
Licensure/permits	-	1,830	-	-	-	1,896	17,561
Memberships	-	1,530	50	15	-	16,225	4,026
Occupancy - Note 8	53,593	32,740	20,707	9,791	11,181	45,050	17,835
Participation fees	-	-	110	-	-	15,193	188,255
Postage	2,353	195	2,727	147	3,668	-	110
Printing	4,778	750	5,017	178	3,099	952	14,194
Professional fees	-	-	4,106	-	34	6,062	36,616
Space rental	-	-	1,600	-	-	47,859	62,345
Special event production	-	-	-	-	-	1,611	3,211
Supplies	3,688	2,493	18,704	250	35,365	74,148	79,261
Telephone	14,939	3,645	5,426	434	2,194	5,521	31,371
Travel/mileage	28,543	1,998	7,012	-	-	2,239	30,826
Miscellaneous	-	-	-	-	-	895	32,567
						50	50
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	1,203,838	440,583	342,215	60,775	2,328,717	444,352	5,158,381
Depreciation on furniture and equipment	23,271	8,559	8,552	1,475	6,292	6,184	59,864
TOTAL FUNCTIONAL EXPENSES	\$ 1,227,109	\$ 449,142	\$ 350,767	\$ 62,250	\$ 2,335,009	\$ 450,536	\$ 5,218,245
							\$ 4,796,862

See accompanying notes to financial statements.

## NASHVILLE CARES

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### General

Nashville CARES (the "Agency") was founded in 1985 as a Tennessee not-for-profit corporation. The Agency serves northern Middle Tennessee by providing practical, financial, material and emotional support services to persons living with AIDS or HIV infection and to those persons' families and loved ones. The Agency educates and informs the general public by providing the most current medical and scientific information about AIDS/HIV infection and risk reduction practices. Funding for the Agency's services is provided principally by grants from the U.S. Department of Housing and Urban Development ("HUD"), the Metropolitan Development and Housing Agency, the Tennessee Department of Health ("TDH"), United Way of Metropolitan Nashville, United Way of the MidSouth, designated donations through United Way of Metropolitan Nashville, from other United Way agencies, and from individual, foundation and corporate donors.

##### Cash equivalents

Cash equivalents include demand deposits with banks, money market funds and time deposits with original maturities when purchased of three months or less.

##### Property and equipment

Property and equipment are stated at acquisition cost, or at estimated fair value at date of gift if donated, less accumulated depreciation. Depreciation is computed on the straight-line method over an estimated useful life of five years.

##### Agency endowment fund

The Agency's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee is recognized as an asset. In addition, investment income and changes in the value of the fund are recognized in the statement of activity, and distributions received from the fund are recorded as decreases in the beneficial interest. (See Note 7.)

##### Compensated absences

Compensated absences are accrued for vacation days earned by employees that will be paid in the future. Current policy is to allow employees to carry over a maximum of ten days.

##### Reclassifications

Certain reclassifications have been made to prior year amounts to be comparative with the current year presentation.



NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and support

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

The Agency's practice is to report revenue and support whose restrictions are met in the same reporting period as unrestricted revenue. All other donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions.

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

The Agency reports any gifts of equipment or materials as unrestricted support absent any explicit donor restrictions as to 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.

Income taxes

The Agency qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

Donated services

The Agency's policy is not to record support and expenses for contributed services where no objective basis is available to measure the value of such services.

Program and supporting services

The following program and supporting services classifications 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.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program services (Continued)

Emotional and practical support services - social services to meet emotional, therapeutic, nutritional, and practical support needs of HIV-infected individuals and their families living in 17 counties of northern Middle Tennessee.

Educational services - provision of HIV/AIDS prevention education and awareness to various populations and target groups throughout 17 counties of northern Middle Tennessee.

Volunteer services - recruitment, training and placement of volunteers within the various departments of the Agency. There are currently more than 450 volunteers that work in all areas of the Agency.

Dental and insurance assistance - financial assistance for the payment of dental care and/or medical insurance premiums and/or medical and prescription deductibles and co-payments of persons with HIV/AIDS throughout a 39 county area in Middle Tennessee and Upper Cumberland and a 3 county area in Southwest Tennessee.

Supporting services

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

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

Allocation of functional expenses

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

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 2 - GRANTS RECEIVABLE

Grants receivable consist of the following as of June 30:

	<u>2005</u>	<u>2004</u>
HUD - Housing Opportunities for People with AIDS (HOPWA)	\$ 136,445	\$ 88,919
HUD - Supportive Housing Program	5,749	4,691
CDC - HIV Prevention Education	19,149	14,710
Ryan White CARE Act Title IV	17,724	6,496
Ryan White CARE Act Title II Care - Medical Care Management	14,253	9,319
Ryan White CARE Act Title II Care - Dental Assistance Middle Tennessee	20,701	9,654
Ryan White CARE Act Title II Emerging Communities	41,993	37,207
Ryan White CARE Act Title II Emerging Communities - Dental Middle Tennessee	15,051	17,614
Ryan White CARE Act Title II - Insurance Assistance Assistance Middle Tennessee	93,069	5,913
Ryan White CARE Act Title II Care	24,566	24,515
Ryan White CARE Act Title II Emerging Communities - Dental Southwest Tennessee	23,152	-
Ryan White CARE Act Title II Care - Dental Assistance Southwest Tennessee	24,773	21,850
Ryan White CARE Act Title II - Insurance Assistance - Southwest Tennessee	51,400	40,040
U.S. Conference of Mayors HIV Prevention Education	-	370
HUD - McKinney Homeless Assistance Emergency Food and Shelter Program (formerly FEMA)	<u>1,027</u>	<u>2,521</u>
	<u>\$ 489,052</u>	<u>\$ 283,819</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 3 - PROPERTY AND EQUIPMENT

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

	<u>2005</u>	<u>2004</u>
Land	257,850	-
Building	1,092,150	-
Building improvements	87,609	-
Leasehold improvements	-	261,375
Vehicles	4,125	-
Software development	37,170	-
Furniture and equipment	<u>203,873</u>	<u>246,932</u>
	1,682,777	508,307
Less accumulated depreciation	<u>(148,212)</u>	<u>(419,574)</u>
	<u>1,534,565</u>	<u>88,733</u>

On September 30, 2004, the Agency acquired certain real estate in Nashville, Tennessee for \$1,350,000, and relocated its operations in December, 2004.

Fully depreciated assets at June 30, 2005 amounted to approximately \$53,600 (\$299,000 at June 30, 2004).

NOTE 4 - EMPLOYEE BENEFIT PLAN

The Agency sponsors a Section 403(b) retirement plan. 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 3% of each eligible employee's compensation. Employees are eligible to participate in the plan after two years of service. The Agency did not make any contributions to the plan in 2005 or 2004.

NOTE 5 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Agency to concentrations of credit risk consist of cash and cash equivalents, various federal grants, accounts and United Way receivables. Contributions receivable consist of individual and corporate contribution pledges which are widely dispersed to mitigate credit risk. Grant and United Way receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources. The Agency maintains its cash balances in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000. In management's opinion, the risk is mitigated by the use of high quality financial institutions.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2005</u>	<u>2004</u>
United Way of Metropolitan Nashville:		
Designations	\$ 34,909	\$ 39,027
Outcome-based funding grants:		
CARE-A-Van Cuisine Home Meals Delivery program	16,852	20,265
Alcohol and Drug Abuse Treatment program	35,289	37,334
HEARTline program	16,953	19,058
CARE Team program	20,632	21,177
Mental Health Services	25,328	27,534
Case Management Services	15,045	16,482
United Way of Williamson County	8,000	7,730
United Way of Wilson County	511	2,200
United Way of Sumner County	7,000	6,000
United Way of Robertson County	4,000	4,000
Altria - donation for nutritional programs	10,000	-
Donation for special event for the following year	7,000	4,000
Broadway CARES - Donation for following year's rental assistance	-	1,251
HCA Foundation - donations for operational support	10,000	-
Vitamin Supplement settlement	-	10,120
Building Fund - paydown of building debt	13,019	-
U.S. Smokeless Tobacco Manufacturing Partnership - donations for following year's operational support	1,500	-
Gannett Foundation - donations for education analysis and reporting system	-	4,000
	<u>\$ 226,038</u>	<u>\$ 220,178</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 7 - AGENCY ENDOWMENT FUND

The Agency has a beneficial interest in the Nashville CARES Endowment Fund, an agency endowment fund held by the Community Foundation of Middle Tennessee (the "Community Foundation"). The Agency has granted variance power to the Community Foundation, and the Community Foundation has the ultimate authority and control over the Fund and the income derived therefrom. The fund is charged a .4% administrative fee annually. Upon request by the Agency, income from the Fund representing a 5% annual return may be distributed to the Agency or to another suggested beneficiary.

A schedule of changes in the Agency's beneficial interest in this fund for the years ended June 30, 2005 and 2004, follows:

	<u>2005</u>	<u>2004</u>
Balance - beginning of year	\$ 13,288	\$ 11,505
Change in value of beneficial interest in agency endowment fund:		
Contributions to the fund	500	613
Investment income (loss)	1,193	1,834
Administrative expenses	<u>(92)</u>	<u>(84)</u>
	1,601	2,363
Distributions to the Agency	<u>(684)</u>	<u>(580)</u>
Balance - end of year	<u>\$ 14,205</u>	<u>\$ 13,288</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 8 - DEBT

On September 30, 2004, the Agency entered into a Loan Agreement with Beacon Federal Bank and issued a note payable in the amount of \$1,350,000 to finance the acquisition of certain real estate. The note is secured by a deed of trust on the property and is payable in bi-weekly installments of \$4,503. Interest is charged at the rate of 6.05% per annum through December 1, 2009, at which time the rate will be readjusted to the then prevailing Federal Home Loan Bank of New York (FHLBNY) five-year rate plus 2% per annum, and readjusted thereafter at each five-year interval. The final maturity date of the loan is November 2024.

A schedule of future principal maturities on the loan as of June 30, 2005, follows:

Year ending June 30,

2006	\$ 36,809
2007	39,128
2008	41,593
2009	44,214
2010	47,000
Thereafter	<u>1,121,189</u>
	<u>\$ 1,329,933</u>

The loan agreement, as amended, also provides for an unsecured line of credit note in the amount of \$200,000. The line of credit note bears interest on the outstanding principal balance at an interest rate equal to The Wall Street Journal Prime Rate. The line of credit note matures June 1, 2006. The outstanding balance at June 30, 2005 was \$-0-. The Agency had an outstanding line of credit with another financial institution at June 30, 2004, in the amount of \$50,000, which was repaid during the current year.

Total interest expense incurred by the Agency in 2005 was \$62,547 (\$0 in 2004) and is reported in occupancy expense.

NOTE 9 - LEASE

The Agency leased certain office space under an operating lease agreement through December 31, 2004, prior to relocating to its new office building in December 2004. Total rent expense was \$61,705 in 2005, and \$143,283 in 2004. Rental expense is included in occupancy expense.

ADDITIONAL INFORMATION



NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2005

Program Name	Federal CFDA Number	Contract Number	Award Period	Award Amount	(Accrued) Deferred Revenue 7/1/2004	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2005
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b> McKinney Homeless Assistance Emergency Food and Shelter Program	83.523	N/A	N/A	\$ 4,619	\$ (2,522)	\$ 6,112	\$ 4,617	\$ (1,027)
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>								
Supportive Housing Program - Transportation Assistance	14.235	TN57B904005	07-01-04 - 06-30-05	\$ 15,410	(860)	5,440	4,998	(418)
Supportive Housing Program - Outpatient Substance Abuse Treatment	14.235	TN57B904008	07-01-04 - 06-30-05	\$ 159,084	(3,830)	51,527	53,028	(5,331)
<b>TOTAL CFDA 14.235</b>					(4,690)	56,967	58,026	(5,749)
<b>PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:</b>								
Housing Opportunities for People with AIDS	14.241	GR-05-16113-00	07-01-04 - 06-30-05	\$ 27,400	(3,339)	17,190	27,323	(13,472)
<b>PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:</b>								
Housing Opportunities for People with AIDS	14.241	N/A	04-01-04 - 03-31-05	\$ 451,083	(77,954)	379,265	325,439	(24,128)
Housing Opportunities for People with AIDS	14.241	N/A	04-01-05 - 03-31-06	\$ 496,200	-	-	98,845	(98,845)
Housing Opportunities for People with AIDS-Emergency Housing/Add'l Rental Assistance	14.241	N/A	04-01-03 - 03-31-05	\$ 345,758	(7,627)	251,645	244,018	-
<b>TOTAL CFDA 14.241</b>					(88,920)	648,100	695,625	(136,445)
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>								
<b>PASSED THROUGH THE MIDDLE TENNESSEE REGIONAL ADVISORY COMMITTEE IN COLLABORATION WITH THE UNITED WAY OF METROPOLITAN NASHVILLE:</b>								
Minority Initiatives	93.944	N/A	01-01-05 - 12-31-05	\$ 16,356	-	2,941	4,164	(1,223)
CDC - HIV Prevention Education	93.944	N/A	01-01-04 - 12-31-04	\$ 165,700	(14,710)	97,863	83,153	-
CDC - HIV Prevention Education	93.944	N/A	01-01-05 - 12-31-05	\$ 173,800	-	50,520	68,446	(17,926)
<b>TOTAL CFDA 93.944</b>					(14,710)	151,324	155,763	(19,149)
Ryan White CARE Act Title II Care - Medical Care Management	93.917*	GR-04-16038-00	04-01-04 - 03-31-05	\$ 50,000	(9,319)	45,642	36,323	-
Ryan White CARE Act Title II Care - Medical Care Management	93.917*	GR-05-16833-00	04-01-05 - 03-31-06	\$ 50,000	-	-	14,253	(14,253)
<b>PASSED THROUGH THE UNITED WAY OF METROPOLITAN NASHVILLE:</b>								
Ryan White CARE Act Title II Care - Dental Assistance	93.917*	N/A	04-01-04 - 03-31-05	\$ 250,859	(9,653)	209,974	200,321	-
Ryan White CARE Act Title II Care - Dental Assistance	93.917*	N/A	04-01-05 - 03-31-06	\$ 275,075	-	26,408	47,109	(20,701)
Ryan White CARE Act Title II - Emerging Communities Dental Assistance	93.917*	N/A	04-01-04 - 03-31-05	\$ 284,575	(17,614)	247,829	230,215	-
Ryan White CARE Act Title II - Emerging Communities Dental Assistance	93.917*	N/A	04-01-05 - 03-31-06	\$ 148,257	-	40,875	55,926	(15,051)
Ryan White CARE Act Title II - Minority AIDS Initiatives Dental Assistance	93.917*	N/A	04-01-04 - 03-31-05	\$ 5,250	-	5,250	5,250	-

(continued on following page)

**NASHVILLE CARES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2005**

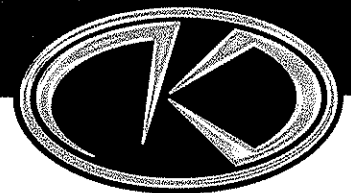
Program Name	Federal CFDA Number	Contract Number	Award Period	Award Amount	(Accrued) Deferred Revenue 7/1/2004	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2005
<b>PASSED THROUGH THE UNITED WAY OF METROPOLITAN NASHVILLE (CONTINUED):</b>								
Ryan White CARE Act Title II - Insurance Assistance	93.917*	N/A	04-01-04 - 03-31-05	\$ 1,217,000	(5,913)	912,382	906,469	-
Ryan White CARE Act Title II - Insurance Assistance	93.917*	N/A	04-01-05 - 03-31-06	\$ 1,217,090	-	77,831	170,900	(93,069)
Ryan White CARE Act Title II Care	93.917*	N/A	04-01-04 - 03-31-05	\$ 258,271	(24,515)	222,276	197,761	-
Ryan White CARE Act Title II Care	93.917*	N/A	04-01-05 - 03-31-06	\$ 219,862	-	31,322	55,888	(24,566)
Ryan White CARE Act Title II Emerging Communities	93.917*	N/A	04-01-04 - 03-31-05	\$ 360,491	(37,207)	313,614	276,407	-
Ryan White CARE Act Title II Emerging Communities	93.917*	N/A	04-01-05 - 03-31-06	\$ 419,992	-	65,465	107,458	(41,993)
<b>PASSED THROUGH THE UNITED WAY OF MIDSOUTH:</b>								
Ryan White CARE Act Title II Care - Dental Assistance	93.917*	N/A	04-01-04 - 03-31-05	\$ 335,575	(21,850)	294,049	272,199	-
Ryan White CARE Act Title II Care - Dental Assistance	93.917*	N/A	04-01-05 - 03-31-06	\$ 143,575	-	51,072	75,845	(24,773)
Ryan White CARE Act Title II - Emerging Communities - Dental	93.917*	N/A	04-01-05 - 03-31-06	\$ 110,000	-	4,517	27,669	(23,152)
Ryan White CARE Act Title II - Insurance Assistance	93.917*	N/A	04-01-04 - 03-31-05	\$ 480,000	(40,039)	407,733	367,694	-
Ryan White CARE Act Title II - Insurance Assistance	93.917*	N/A	04-01-05 - 03-31-06	\$ 480,000	-	146,177	197,577	(51,400)
<b>TOTAL CFDA 93.917</b>					<b>(166,110)</b>	<b>3,102,416</b>	<b>3,245,264</b>	<b>(308,958)</b>
<b>PASSED THROUGH THE COMPREHENSIVE CARE CENTER:</b>								
Ryan White CARE Act Title IV	93.153	1 HI2 HA 23001-03	08-01-03 - 07-31-04	\$ 91,465	(6,496)	6,798	302	-
Ryan White CARE Act Title IV	93.153	2 HI2 HA 23001-05	08-01-04 - 07-31-05	\$ 94,273	-	67,416	85,140	(17,724)
<b>TOTAL CFDA 93.153</b>					<b>(6,496)</b>	<b>74,214</b>	<b>85,442</b>	<b>(17,724)</b>
U.S. Conference of Mayors HIV Prevention Education	93.118		01-01-03 - 12-31-03	\$ 36,304	(371)	371	-	-
<b>TOTAL OF EXPENDITURES OF FEDERAL AWARDS</b>					<b>\$ (283,819)</b>	<b>\$ 4,039,504</b>	<b>\$ 4,244,737</b>	<b>\$ (489,052)</b>

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

**BASIS OF PRESENTATION**

This schedule includes the federal grant activity of Nashville CARES, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non Profit Organizations.

## OTHER REPORTS



**KraftCPAs**  
PLLC

INDEPENDENT AUDITORS' 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

To The Board of Directors of Nashville CARES  
Nashville, Tennessee

We have audited the financial statements of Nashville CARES, a Tennessee not-for-profit corporation, as of and for the year ended June 30, 2005, and have issued our report thereon dated November 10, 2005. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nashville CARES' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we reported to management of Nashville CARES in a separate letter dated November 10, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nashville CARES' financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*KraftCPAs PLLC*

Nashville, Tennessee  
November 10, 2005



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

To the Board of Directors of Nashville CARES  
Nashville, Tennessee

Compliance

We have audited the compliance of Nashville CARES with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Nashville CARES' major federal programs are identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Nashville CARES' management. Our responsibility is to express an opinion on Nashville CARES' compliance based on our audit.

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 Nashville CARES' 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. Our audit does not provide a legal determination on Nashville CARES' compliance with those requirements.

In our opinion, Nashville CARES complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### Internal Control Over Compliance

The management of Nashville CARES is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Nashville CARES' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Y. Kraft CPAs PLLC*

Nashville, Tennessee  
November 10, 2005

NASHVILLE CARES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005

**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes        x   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes        x   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes        x   none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ yes        x   no

Identification of major programs:

*CFDA Number(s)*      *Name of Federal Program or Cluster*

93.917      Ryan White CARE Act Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   x   yes      \_\_\_\_\_ no

NASHVILLE CARES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

**Section II - Financial Statement Findings**

**PRIOR YEAR REPORTABLE CONDITIONS**

None reported in the prior year.

**CURRENT YEAR REPORTABLE CONDITIONS**

None reported in the current year.



NASHVILLE CARES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

**Section III - Federal Award Findings and Questioned Costs**

**PRIOR YEAR**

None reported in the prior year.

**CURRENT YEAR**

None reported in the current year.