

NASHVILLE CARES

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2020 AND 2019

NASHVILLE CARES
NASHVILLE, TENNESSEE
FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR’S REPORTS

JUNE 30, 2020 AND 2019

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**Nashville CARES
2020 Board of Directors**

Officers

Christopher Ott, MD, FACEP, President

Hunter Rost, Treasurer

Arash Yekrang, MD, Vice President

Claire Wisely, Secretary

Joe Burchfield, Past President

At-Large Members

Josephine (Betsy) Bahn

Richard D. Bird, Jr.

Ron Balcarras

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Reverend Robert B. Coleman

Adam W. Holdren

Elizabeth Saxton Inman

Susan McDonald

Beth-Ann Martorello

Gilbert Ramirez

George Rowe, III, J.D.

Ty Rushing

Robert Sikorski III

Vic Sorrell

Gerran Thomas

Damon Whiteside

LaCosta Wix

**Nashville CARES
2019 Board of Directors**

Officers

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Hunter Rost, Treasurer

Christopher Ott, MD, FACEP, Vice President

Claire Wisely, Secretary

At-Large Members

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Gerran Thomas

Damon Whiteside

Kevin Wilson

LaCosta Wix

Arash Yekrangi-Tajvidi, MD

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nashville CARES
Nashville, Tennessee

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Nashville CARES (the "Agency"), a Tennessee not-for-profit corporation, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and accompanying list of Board of Directors, as required by the *Audit Manual* issued by the Comptroller of the Treasury of the State of Tennessee, are presented for purposes of additional analysis and are 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 January 28, 2021 on our consideration of Nashville CARES's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Nashville CARES's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nashville CARES's internal control over financial reporting and compliance.



Nashville, Tennessee
January 28, 2021

NASHVILLE CARES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,407,429	\$ 1,884,132
Accounts receivable	209,875	9,205
Federal, state and local government grants and contracts receivable	1,503,654	1,221,334
Contributions receivable:		
Annual campaign	35,270	20,684
United Way and other workplace campaigns	-	19,396
Special events receivable	50,000	49,989
Foundation and corporate grants and religious contributions	-	40,870
Allowance for uncollectible contributions	(8,069)	(8,069)
Prepaid expenses and other	744,253	78,475
Property and equipment, net	3,672,390	3,787,729
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	<u>45,211</u>	<u>44,654</u>
TOTAL ASSETS	<u>\$ 8,660,013</u>	<u>\$ 7,148,399</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 1,883,180	\$ 189,686
Accrued payroll and compensated absences	217,411	223,575
Deferred revenue	307,138	1,439,790
Line of credit	755,717	919,500
Notes payable	<u>3,481,766</u>	<u>2,748,221</u>
TOTAL LIABILITIES	<u>6,645,212</u>	<u>5,520,772</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	697,085	420,595
Designated for property and equipment, less related debt	1,146,597	1,039,508
Designated for beneficial interest in agency endowment fund	<u>45,211</u>	<u>44,654</u>
Total without donor restrictions	1,888,893	1,504,757
With donor restrictions	<u>125,908</u>	<u>122,870</u>
TOTAL NET ASSETS	<u>2,014,801</u>	<u>1,627,627</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,660,013</u>	<u>\$ 7,148,399</u>

See accompanying notes to financial statements.

NASHVILLE CARES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Contributions	\$ 281,298	\$ 12,200	\$ 293,498
Special events	297,921	31,800	329,721
Federal, state and local grants and contracts	38,061,847	-	38,061,847
Foundation and corporate grants	<u>187,204</u>	<u>80,000</u>	<u>267,204</u>
Total Public Support	38,828,270	124,000	38,952,270
Interest income	500	-	500
Other revenue	100,487	-	100,487
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	1,158	-	1,158
Net assets released resulting from satisfaction of donor restrictions	<u>120,962</u>	<u>(120,962)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>39,051,377</u>	<u>3,038</u>	<u>39,054,415</u>
EXPENSES			
Program Services:			
Case management services	2,084,986	-	2,084,986
Housing and financial assistance	919,166	-	919,166
Emotional health and wellness	609,166	-	609,166
Practical support	740,520	-	740,520
Educational services	1,497,780	-	1,497,780
Public policy and advocacy	143,909	-	143,909
Dental assistance	468,073	-	468,073
Insurance assistance	30,782,060	-	30,782,060
Supporting Services:			
Management and general	1,029,051	-	1,029,051
Marketing	96,396	-	96,396
Fund development	239,511	-	239,511
Volunteer services	<u>56,623</u>	<u>-</u>	<u>56,623</u>
TOTAL EXPENSES	<u>38,667,241</u>	<u>-</u>	<u>38,667,241</u>
CHANGE IN NET ASSETS	384,136	3,038	387,174
NET ASSETS - BEGINNING OF YEAR	<u>1,504,757</u>	<u>122,870</u>	<u>1,627,627</u>
NET ASSETS - END OF YEAR	<u>\$ 1,888,893</u>	<u>\$ 125,908</u>	<u>\$ 2,014,801</u>

See accompanying notes to financial statements.

NASHVILLE CARES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Contributions	\$ 179,583	\$ 25,450	\$ 205,033
Special events	191,296	55,624	246,920
Federal, state and local grants and contracts	33,659,649	-	33,659,649
Foundation and corporate grants	<u>227,527</u>	<u>46,750</u>	<u>274,277</u>
Total Public Support	34,258,055	127,824	34,385,879
Interest income	51	-	51
Other revenue	105,478	-	105,478
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	2,828	-	2,828
Net assets released resulting from satisfaction of donor restrictions	<u>226,196</u>	<u>(226,196)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>34,592,608</u>	<u>(98,372)</u>	<u>34,494,236</u>
EXPENSES			
Program Services:			
Case management services	2,161,957	-	2,161,957
Housing and financial assistance	667,353	-	667,353
Emotional health and wellness	616,909	-	616,909
Practical support	522,572	-	522,572
Educational services	1,660,440	-	1,660,440
Public policy and advocacy	106,132	-	106,132
Dental assistance	2,275,926	-	2,275,926
Insurance assistance	25,144,543	-	25,144,543
Supporting Services:			
Management and general	834,159	-	834,159
Marketing	82,067	-	82,067
Fund development	418,884	-	418,884
Volunteer services	<u>52,127</u>	<u>-</u>	<u>52,127</u>
TOTAL EXPENSES	<u>34,543,069</u>	<u>-</u>	<u>34,543,069</u>
CHANGE IN NET ASSETS	49,539	(98,372)	(48,833)
NET ASSETS - BEGINNING OF YEAR	<u>1,455,218</u>	<u>221,242</u>	<u>1,676,460</u>
NET ASSETS - END OF YEAR	<u>\$ 1,504,757</u>	<u>\$ 122,870</u>	<u>\$ 1,627,627</u>

See accompanying notes to financial statements.

NASHVILLE CARES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 387,174	\$ (48,833)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	115,339	119,012
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	(1,158)	(2,828)
(Increase) decrease in:		
Accounts receivable	(200,670)	46,425
Federal, state and local government grants and contracts receivable	(282,320)	357,437
Contributions receivable	45,669	98,372
Prepaid expenses and other	(665,778)	(10,371)
Increase (decrease) in:		
Accounts payable	1,693,494	(88,541)
Accrued payroll and compensated absences	(6,164)	(16,946)
Deferred revenue	(1,132,652)	(1,632,083)
NET ADJUSTMENTS	(434,240)	(1,129,523)
NET CASH USED IN OPERATING ACTIVITIES	(47,066)	(1,178,356)
CASH FLOWS FROM INVESTING ACTIVITIES		
Contributions to agency endowment fund	(1,699)	-
Distributions from agency endowment fund	2,300	2,200
NET CASH PROVIDED BY INVESTING ACTIVITIES	601	2,200
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	955,973	-
Payments on notes payable	(222,428)	(214,495)
Net borrowings on line of credit	(163,783)	144,681
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	569,762	(69,814)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	523,297	(1,245,970)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,884,132	3,130,102
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,407,429	\$ 1,884,132
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid during the year	\$ 157,391	\$ 161,668

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	PROGRAM SERVICES								SUPPORTING SERVICES				
	CASE MANAGEMENT SERVICES	HOUSING & FINANCIAL ASSISTANCE	EMOTIONAL HEALTH & WELLNESS	PRACTICAL SUPPORT	EDUCATIONAL SERVICES	PUBLIC POLICY & ADVOCACY	DENTAL ASSISTANCE	INSURANCE ASSISTANCE	MANAGEMENT AND GENERAL	MARKETING	FUND DEVELOPMENT	VOLUNTEER SERVICES	TOTALS
Salaries	\$ 1,381,267	\$ 2,767	\$ 417,559	\$ 156,234	\$ 793,775	\$ 73,800	\$ 163,347	\$ 313,544	\$ 431,381	\$ 75,610	\$ 105,929	\$ 41,314	\$ 3,956,527
Employee taxes and fringe benefits	327,029	440	83,625	35,427	164,043	12,468	30,885	73,006	123,252	12,574	10,228	10,097	883,074
TOTAL PAYROLL AND RELATED EXPENSES	1,708,296	3,207	501,184	191,661	957,818	86,268	194,232	386,550	554,633	88,184	116,157	51,411	4,839,601
Client assistance	2,356	914,333	6,176	515,190	6,273	-	260	30,237,047	-	-	-	-	31,681,635
Advertising	1,688	-	-	-	942	6,131	-	490	5,200	-	3,245	-	17,696
Audit	-	-	-	-	-	-	-	-	32,440	-	-	-	32,440
Bank fees and interest expense	-	-	-	-	-	40	-	-	63,812	-	11,356	-	75,208
Conferences and training	70,052	-	800	-	5,094	33,151	298	40	-	-	857	289	110,581
Contracts	907	-	-	-	318,316	-	5,000	38,640	-	-	-	-	362,863
Depreciation	40,772	198	10,805	5,053	22,162	1,435	3,195	10,379	16,556	1,495	2,093	1,196	115,339
Equipment rental and maintenance	237	-	44	22	264	4	156	341	21,835	4	13	3	22,923
Insurance	-	-	-	-	-	-	-	-	42,361	-	-	-	42,361
Licensure/permits	-	-	1,820	960	-	340	-	-	1,039	-	-	-	4,159
Memberships	-	-	-	-	-	2,975	-	-	1,069	240	-	62	4,346
Occupancy	53,402	216	14,459	7,080	91,194	1,687	9,530	23,319	24,526	1,727	3,617	1,337	232,094
Participation fees	-	-	-	-	299	340	-	-	1,300	65	-	-	2,004
Postage	3,054	13	16	2,080	146	-	16,698	23,065	932	-	1,316	50	47,370
Printing	3,625	-	1,713	433	998	254	651	12,641	179	82	2,065	40	22,681
Professional fees	67,317	10	37,592	6,133	19,802	2,664	228,477	27,951	199,848	3,854	9,836	1,129	604,613
Special event production	-	-	-	-	-	1,680	-	-	-	-	86,063	-	87,743
Supplies	41,241	1,154	15,255	5,998	41,627	4,454	7,251	16,750	22,073	50	1,210	481	157,544
Telephone	48,239	35	11,032	3,896	21,395	2,486	2,196	4,847	6,979	691	1,566	526	103,888
Travel/mileage	43,700	-	4,328	1,994	8,933	-	129	-	418	4	107	99	59,712
Van upkeep/gasoline	-	-	-	20	-	-	-	-	1,568	-	-	-	1,588
Volunteer incentives/remuneration	-	-	3,942	-	2,517	-	-	-	-	-	-	-	6,459
Miscellaneous	100	-	-	-	-	-	-	-	32,283	-	10	-	32,393
TOTAL FUNCTIONAL EXPENSES	\$ 2,084,986	\$ 919,166	\$ 609,166	\$ 740,520	\$ 1,497,780	\$ 143,909	\$ 468,073	\$ 30,782,060	\$ 1,029,051	\$ 96,396	\$ 239,511	\$ 56,623	\$ 38,667,241

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

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

See accompanying notes to financial statements.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

Basis of Presentation

The financial statements of the Agency have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which require the Agency to report information regarding its financial position and activities according to the following net asset classifications:

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

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Agency did not have any net assets with donor restrictions that are perpetual in nature as of June 30, 2020 or 2019.

Contributions, Support and Revenues

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

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, Support and Revenues (Continued)

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

A significant portion of the Agency's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Agency has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Statement of Financial Position. At June 30, 2020, the Agency had remaining available award balances on federal and state conditional grants and contracts of approximately \$3,800,000 that have not been recognized as revenue because qualifying expenditures have not yet been incurred. At June 30, 2020 advance payments under such grants/contracts of \$307,138 were recognized in the Statement of Financial Position 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, if any, is recognized on the interest method over the term of the gift and included in contribution revenue.

All contributions receivable at June 30, 2020 and 2019 are due in less than one year.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

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

Agency Endowment Fund

The Agency's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee (the "Community Foundation") is recognized as an asset. Investment income and changes in the value of the fund are recognized in the Statements of Activities, and contributions made or distributions received from the fund are recorded as increases (decreases) in the beneficial interest. (See Note 5.)

Fair Value Measurements

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

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

The beneficial interest in an agency endowment fund held by the Community Foundation 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, 2020 and 2019.

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, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

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

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

Program and Supporting Services

The following functional expense allocations are included in the accompanying financial statements:

Program Services

Case management services - social services to meet financial and material needs of HIV-infected individuals and their families living in 17 counties of northern Middle Tennessee. Provides eligibility services for clients via Medical Case Management Associates.

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

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

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

Educational services - provision of HIV/AIDS prevention education and awareness to various populations and target groups throughout 17 counties of northern Middle Tennessee, as well as HIV testing/screening to help individuals learn their HIV status and take appropriate action.

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

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Program Services (Continued)

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

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

Supporting Services

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

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

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

Volunteer services - includes recruitment, training and placement of volunteers within the various departments of the Agency. There are currently more than 400 volunteers that work in all areas of the Agency.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program and supporting services benefited. Such allocations are determined by management on a reasonable basis. The expenses that are allocated include salaries, employee taxes and fringe benefits, printing, postage, telephone, conferences and training, travel/mileage, and volunteer incentives/renumeration, which are allocated on the basis of estimates of time and effort, while depreciation is allocated on the basis of square footage and occupancy is allocated using a combination of square footage and time and effort basis.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

The Agency files a U.S. Federal Form 990 for organizations exempt from federal income tax.

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

Use of Estimates in the Preparation of Financial Statements

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

Adoption of New Accounting Pronouncement

On July 1, 2019, the Agency adopted Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, as amended, as management believes the standard improves the usefulness and understandability of the Agency's financial reporting. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improved guidance to better distinguish between conditional and unconditional contributions. Analysis of various provisions of this standard resulted in no significant changes in the way the Agency recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018, and in June 2020, in response to the COVID-19 pandemic, the FASB issued ASU 2020-05, allowing certain entities to defer implementation of ASU 2014-09 for an additional year. As a result of the issuance of ASU 2020-05, the Agency will defer the implementation of ASU 2014-09 until July 1, 2020. The Agency is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provided an additional transition option that allows companies to continue applying the guidance under the current lease standard in the comparative periods presented in the financial statements. ASU 2018-11 also provides lessors with a practical expedient, in certain circumstances, to not separate nonlease components from the associated lease component, similar to the expedient provided for lessees. In December 2018, the FASB issued ASU 2018-20, *Narrow-Scope Improvements for Lessors*. This ASU provides an election for lessors to exclude sales and related taxes from consideration in the contract, requires lessors to exclude from revenue and expense lessor costs paid directly to a third party by lessees, and clarifies lessors’ accounting for variable payments related to both lease and nonlease components.

An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard, which will be effective for the Agency on July 1, 2022, provides a number of practical expedients. The Agency is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

The Agency has evaluated events and transactions that occurred between June 30, 2020 and January 28, 2021, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - AVAILABILITY AND LIQUIDITY

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

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$2,407,429	\$1,884,132
Receivables:		
Accounts	209,875	9,205
Grants and contracts	1,503,654	1,221,334
Contributions	<u>77,201</u>	<u>122,870</u>
	4,198,159	3,237,541
Less amounts not available for general expenditures within one year:		
Amounts received for organizational development	(23,853)	-
Assets restricted for special events	<u>(74,003)</u>	<u>(41,920)</u>
Balance - end of year	<u>\$4,100,303</u>	<u>\$3,195,621</u>

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

As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Additionally, the Agency also has a line of credit with availability of approximately \$244,000 as of June 30, 2020, to meet cash flow needs (see Note 7).

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 3 - GRANTS AND CONTRACTS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
HUD - Housing Opportunities for Persons with AIDS (HOPWA) - TDH	\$ 34,227	\$ 22,813
HUD - Housing Opportunities for Persons with AIDS (HOPWA) - MDHA	286,755	131,857
HUD - Emergency Solutions Grant - MDHA	15,009	1,684
CDC - High Impact Prevention - Direct	84,715	161,940
CDC - HIV Prevention and Education - UWMN	25,705	22,313
CDC - Counseling and Testing Services - TDH	35,599	23,173
Ryan White Part B - TDH	708,349	485,153
Ryan White Part A - MPHD	138,257	230,966
Ryan White Part B - UWMN	120,929	128,407
Substance Abuse and Mental Health Services Administration - TDMHSA	27,648	13,028
Other	26,461	-
	<u>\$ 1,503,654</u>	<u>\$ 1,221,334</u>

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land	\$ 795,000	\$ 795,000
Buildings	2,270,361	2,270,361
Building improvements	1,305,733	1,305,733
Vehicles	32,957	32,957
Software	116,797	116,797
Furniture and equipment	329,547	329,547
	4,850,395	4,850,395
Less accumulated depreciation	<u>(1,178,005)</u>	<u>(1,062,666)</u>
	<u>\$ 3,672,390</u>	<u>\$ 3,787,729</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 5 - AGENCY ENDOWMENT FUND

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

A schedule of changes in the Agency’s beneficial interest in this fund for the years ended June 30, 2020 and 2019, follows:

	<u>2020</u>	<u>2019</u>
Balance - beginning of year	\$ 44,654	\$ 44,026
Contributions to the fund	1,699	-
Change in value of beneficial interest in agency endowment fund:		
Investment income	1,450	3,096
Administrative expenses	<u>(292)</u>	<u>(268)</u>
	1,158	2,828
Distributions to the Agency	<u>(2,300)</u>	<u>(2,200)</u>
Balance - end of year	<u>\$ 45,211</u>	<u>\$ 44,654</u>

NOTE 6 - FAIR VALUE MEASUREMENTS

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

	<u>2020</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>\$ 45,211</u>	<u>\$ -</u>	<u>\$ 45,211</u>

	<u>2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in agency endowment fund	<u>\$ -</u>	<u>\$ 44,654</u>	<u>\$ -</u>	<u>\$ 44,654</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 7 - DEBT

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

In November 2016, the Agency entered into a new loan agreement with BancorpSouth Bank for \$1,500,000. The loan requires principal and interest installments, with interest accrued at 3.499% per annum, through November 15, 2026. This note may be prepaid in whole or in part at any time without penalty.

Both loans are subject to deeds of trust on the real estate acquired with the loan proceeds and security agreements covering all other assets of the Agency. As of June 30, 2020, the net book value of the land, buildings and improvements was \$3,655,644.

The Agency entered into a Paycheck Protection Program ("PPP") loan of \$955,973 in April 2020, which is fully forgivable if at least 60% of the funds are used for payroll costs, and if certain other terms are met. If the loan is fully forgiven, the Agency will not be responsible for any payments, and the balance of the loan will be reclassified to other income on the Statements of Activities at the time forgiveness is granted. If only a portion of the loan is forgiven, or if the forgiveness application is denied, any remaining balance due on the loan must be repaid on or before the maturity date of the loan, including accrued interest. The loan bears interest at a fixed rate of 1% and matures on April 15, 2022. As the amount of the forgiveness has not yet been determined, no amounts have been included in the schedule of required principal maturities of long-term borrowings that follows.

Future maturities of notes payable, excluding the PPP loan, based on the outstanding balances at June 30, 2020 are as follows:

<u>Year ending June 30,</u>	
2021	\$ 232,719
2022	241,949
2023	251,551
2024	261,395
2025	271,929
Thereafter	<u>1,266,250</u>
	<u>\$ 2,525,793</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 7 - DEBT (CONTINUED)

The Agency has a line of credit agreement with BancorpSouth Bank that allows for maximum borrowings up to \$1,000,000. The line of credit bears interest at the prime rate plus 0.25% (with a floor of 3.5%) and matures on September 25, 2021. The effective interest rate at June 30, 2020 was 3.5% and the outstanding balance was \$755,717 (\$919,500 at June 30, 2019). The line of credit is secured by substantially all assets of the Agency, except for real property.

Both the facility notes and the line of credit place certain restrictions and limitations on the Agency, including maintenance of a specified debt service coverage ratio. As of June 30, 2020, the Agency was in compliance with this requirement.

Total interest expense incurred by the Agency was \$156,224 in 2020 and \$161,174 in 2019 and is included in occupancy expense for the notes payable and in bank fees and interest expense for the line of credit.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
<u>Net assets with time restrictions</u>		
Annual campaign	\$ 27,852	\$ 20,684
United Way and other workplace campaigns	-	19,396
Special events receivable	44,103	41,920
Foundation and corporate grants and religious contributions	200	40,870
<u>Net assets with purpose restrictions</u>		
Organizational development	23,853	-
Special events sponsorships	<u>29,900</u>	<u>-</u>
	<u>\$ 125,908</u>	<u>\$ 122,870</u>

NOTE 9 - EMPLOYEE BENEFIT PLAN

The Agency sponsors a Section 403(b) retirement plan. Employees may participate in the plan upon hiring. Under the plan, the Agency has the discretion to vary the rate of the Employer match on an annual basis up to a maximum of 6% of each eligible employee's compensation. Management elected to not make matching contributions during 2020 and 2019.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

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

The Agency maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of June 30, 2020, the Agency's depository accounts exceeded FDIC insurance limits by approximately \$4.4 million.

NOTE 11 - RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries including the geographical area in which the Agency operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Agency, the Agency's leadership team continues to evaluate the evolving situation.

SUPPLEMENTARY INFORMATION

NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

Program Name	Federal CFDA Number	Contract Number	Award Period	(Accrued) Deferred Revenue 7/1/2019	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2020	Passed Through to Subrecipients
<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-18-53475-01	7/1/18 - 6/30/19	\$ (22,814)	\$ 22,814	\$ -	\$ -	-
Housing Opportunities for Persons with AIDS	14.241*	GR-18-53475-05	7/1/19 - 6/30/20	-	58,880	91,249	(32,369)	-
COVID-19 Housing Opportunities for Persons with AIDS	14.241*	GR-18-53475-05	7/1/19 - 6/30/20	-	-	1,858	(1,858)	-
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:								
Housing Opportunities for Persons with AIDS	14.241*	N/A	7/1/17 - 6/30/18	(410)	410	-	-	-
Housing Opportunities for Persons with AIDS	14.241*	N/A	7/1/18 - 12/31/19	(131,447)	420,498	289,051	-	-
Housing Opportunities for Persons with AIDS	14.241*	N/A	7/1/19 - 6/30/20	-	247,185	533,940	(286,755)	-
Emergency Solutions Grants	14.231	N/A	7/1/18 - 6/30/19	(1,684)	23,788	37,113	(15,009)	-
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				(156,355)	773,575	953,211	(335,991)	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>								
HIV Prevention Activities Non-Governmental Organization Based	93.939*	6NU65PS004724-04-03	7/1/18 - 6/30/19	(161,940)	161,940	-	-	-
HIV Prevention Activities Non-Governmental Organization Based	93.939*	6NU65PS004724-05-01	7/1/19 - 6/30/20	-	678,006	762,721	(84,715)	300,648
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	1/1/19 - 12/31/19	(22,313)	87,028	64,715	-	-
HIV Prevention Activities Health Department Based	93.940	N/A	1/1/20 - 12/31/20	-	54,800	80,505	(25,705)	-
PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:								
HIV Prevention Activities Health Department Based	93.940	GR-18-57255-01	1/1/19 - 12/31/19	(23,173)	95,686	72,513	-	-
HIV Prevention Activities Health Department Based	93.940	GR-18-57255-01	1/1/20 - 12/31/20	-	34,196	69,795	(35,599)	-
HIV Care Formula Grants	93.917	GR-19-63996-00	4/1/19 - 3/31/20	(255,139)	1,058,535	803,396	-	-
HIV Care Formula Grants	93.917	GR-20-67267-00	4/1/20 - 3/31/21	-	-	261,985	(261,985)	-
HIV Care Formula Grants	93.917	GR-18-55875-03	4/1/19 - 3/31/20	(84,343)	470,701	386,358	-	-
HIV Care Formula Grants	93.917	GR-18-55875-04	4/1/20 - 3/31/21	-	-	172,067	(172,067)	-
COVID-19 HIV Care Formula Grants	93.917	GR-18-55875-05	4/1/20 - 3/31/21	-	-	27,889	(27,889)	-
PASSED THROUGH TENNESSEE DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES:								
Block Grants for Prevention and Treatment of Substance Abuse	93.959	59071	7/1/18 - 6/30/19	(13,028)	13,028	-	-	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	63056	7/1/19 - 6/30/20	-	141,643	169,291	(27,648)	-
PASSED THROUGH THE UNITED WAY OF METROPOLITAN NASHVILLE:								
HIV Care Formula Grants	93.917	N/A	4/1/19 - 3/31/20	(75,370)	466,744	391,374	-	-
HIV Care Formula Grants	93.917	N/A	4/1/20 - 3/31/21	-	68,561	189,490	(120,929)	-
HIV Care Formula Grants	93.917	N/A	4/1/19 - 6/30/20	(53,037)	726,215	673,178	-	-

(continued on following page)

NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Program Name	Federal CFDA Number	Contract Number	Award Period	(Accrued) Deferred Revenue 7/1/2019	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2020	Passed Through to Subrecipients
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued):</u>								
PASSED THROUGH METROPOLITAN PUBLIC HEALTH DEPARTMENT:								
HIV Emergency Relief Project Grants	93.914	N/A	3/1/19 - 2/28/20	\$ (221,754)	\$ 1,455,225	\$ 1,233,471	\$ -	\$ -
HIV Emergency Relief Project Grants	93.914	N/A	3/1/20 - 2/28/21	-	410,371	543,185	(132,814)	-
HIV Emergency Relief Project Grants	93.914	N/A	3/1/19 - 2/28/20	(9,212)	65,135	55,923	-	-
HIV Emergency Relief Project Grants	93.914	N/A	3/1/20 - 2/28/21	-	9,251	14,694	(5,443)	-
PASSED THROUGH VANDERBILT UNIVERSITY:								
NIH Acquired Immunodeficiency Syndrome Research Loan Repayment Program	93.936	5P30AI110527-04	4/1/19 - 3/31/20	-	-	21,398	(21,398)	-
PASSED THROUGH RTI INTERNATIONAL:								
Drug Abuse and Addiction Research Program	93.279	6-312-0216621-65444L	11/08/18 - 6/30/21	-	1,687	6,750	(5,063)	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>(919,309)</u>	<u>5,998,752</u>	<u>6,000,698</u>	<u>(921,255)</u>	<u>300,648</u>
				<u>\$ (1,075,664)</u>	<u>\$ 6,772,327</u>	<u>\$ 6,953,909</u>	<u>\$ (1,257,246)</u>	<u>\$ 300,648</u>

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

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Nashville CARES under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Nashville CARES, it is not intended to and does not present the financial position, change in net assets, or cash flows of Nashville CARES.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - INDIRECT COST RATE

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

Summary of Federal Expenditures by CFDA Number:

14.241	\$ 916,098
14.231	37,113
93.279	6,750
93.936	21,398
93.939	762,721
93.940	287,528
93.917	2,905,737
93.959	169,291
93.914	<u>1,847,273</u>
	<u>\$ 6,953,909</u>

OTHER REPORTS

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

Board of Directors
Nashville CARES
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Nashville CARES (the "Agency"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2020-001 that we consider to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

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

NASHVILLE CARES'S RESPONSE TO FINDING

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

PURPOSE OF THIS REPORT

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

Knap HCPAs PLLC

Nashville, Tennessee
January 28, 2021

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Nashville CARES
Nashville, Tennessee

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Nashville CARES’s (the “Agency”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Agency’s major federal programs for the year ended June 30, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for 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, 2020.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

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

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



Nashville, Tennessee
January 28, 2021

NASHVILLE CARES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2020

Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes _____ x _____ no
- Significant deficiency(ies) identified? _____ x _____ yes _____ none reported

Noncompliance material to financial statements noted?

_____ yes _____ x _____ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes _____ x _____ no
- Significant deficiency(ies) identified? _____ x _____ yes _____ none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes _____ x _____ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.241
93.939

Housing Opportunities for Persons with AIDS
HIV Prevention Activities Non-Governmental Organization Based

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ x _____ yes _____ no

NASHVILLE CARES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Section II - Financial Statement Findings

2020-001 Reconciliation of bank accounts

Criteria:

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

Statement of Condition:

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

Context:

As of the end of the year, the completion of bank reconciliations were behind by two months.

Effect:

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

Cause:

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

Repeat Finding:

2019-001 in the prior year

Recommendation:

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

NASHVILLE CARES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Section II - Financial Statement Findings (Continued)

2020-001 Reconciliation of bank accounts (continued)

Management's Response

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

Reconciliations of all bank accounts are being completed before the end of the month following the statement closing date. The Accounting Manager completes all reconciliations and they are submitted to the Chief Financial Officer by the established deadline. The Chief Financial Officer reviews and approves all bank reconciliations.

Subsequent to year-end, a new CFO was hired, the process is in place and all bank accounts have been, and will be reconciled in a timely manner every month.

Section III - Federal Award Findings

2020-001 Reconciliation of bank accounts

CFDA Number: 93.917

Program Name: HIV Care Formula Grants

See Section II - item 2020-001 for a description of this finding as it relates to both internal control over financial reporting and federal awards.