

NASHVILLE CARES

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2021 AND 2020

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

JUNE 30, 2021 AND 2020

CONTENTS

	<u>PAGE</u>
<u>BOARD OF DIRECTORS</u> .....	i - ii
<u>INDEPENDENT AUDITOR’S REPORT</u> .....	1 - 2
 <u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position .....	3
Statement of Activities for the Year Ended June 30, 2021 .....	4
Statement of Activities for the Year Ended June 30, 2020 .....	5
Statements of Cash Flows .....	6
Statement of Functional Expenses for the Year Ended June 30, 2021 .....	7
Statement of Functional Expenses for the Year Ended June 30, 2020 .....	8
Notes to Financial Statements .....	9 - 21
 <u>SUPPLEMENTARY INFORMATION</u>	
Schedule of Expenditures of Federal Awards .....	22 - 23
 <u>OTHER REPORTS</u>	
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 <i>Government Auditing Standards</i> .....	24 - 25
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	26 - 27
Schedule of Findings and Questioned Costs .....	28 - 30

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2021 Board of Directors**

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Christopher Ott, MD, FACEP, President

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Arash Yekrangi, MD, Vice President

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Joe Burchfield, Past President

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2020 Board of Directors**

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## 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, 2021 and 2020, 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, 2021 and 2020, 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 26, 2022 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 26, 2022

NASHVILLE CARES  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 6,034,816	\$ 2,407,429
Accounts receivable	78,801	209,875
Federal, state and local government grants and contracts receivable	1,226,396	1,503,654
Contributions receivable:		
Annual campaign	-	35,270
Special events receivable	7,364	50,000
Foundation and corporate grants and religious contributions	91,466	-
Allowance for uncollectible contributions	-	(8,069)
Prepaid expenses and other	345,698	744,253
Property and equipment, net	3,567,793	3,672,390
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	<u>53,418</u>	<u>45,211</u>
TOTAL ASSETS	<u>\$ 11,405,752</u>	<u>\$ 8,660,013</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 643,770	\$ 1,883,180
Accrued payroll and compensated absences	276,452	217,411
Deferred revenue	4,408,642	307,138
Line of credit	-	755,717
Notes payable	<u>3,249,820</u>	<u>3,481,766</u>
TOTAL LIABILITIES	<u>8,578,684</u>	<u>6,645,212</u>
<u>NET ASSETS</u>		
Without donor restrictions:		
Undesignated	1,098,240	697,085
Designated for property and equipment, less related debt	1,273,946	1,146,597
Designated for beneficial interest in agency endowment fund	<u>53,418</u>	<u>45,211</u>
Total without donor restrictions	2,425,604	1,888,893
With donor restrictions	<u>401,464</u>	<u>125,908</u>
TOTAL NET ASSETS	<u>2,827,068</u>	<u>2,014,801</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,405,752</u>	<u>\$ 8,660,013</u>

See accompanying notes to financial statements.

NASHVILLE CARES  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public Support:			
Contributions	\$ 261,421	\$ -	\$ 261,421
Special events	231,386	11,843	243,229
Federal, state and local grants and contracts	34,284,426	-	34,284,426
Foundation and corporate grants	<u>212,462</u>	<u>462,788</u>	<u>675,250</u>
Total Public Support	34,989,695	474,631	35,464,326
Medication revenue	396,893	-	396,893
Interest income	2,581	-	2,581
Other revenue	88,879	-	88,879
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	10,407	-	10,407
Net assets released resulting from satisfaction of donor restrictions	<u>199,075</u>	<u>(199,075)</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>35,687,530</u>	<u>275,556</u>	<u>35,963,086</u>
<b>EXPENSES</b>			
Program Services:			
Case management services	2,402,505	-	2,402,505
Housing and financial assistance	759,482	-	759,482
Emotional and practical support	1,464,440	-	1,464,440
Educational services	1,423,917	-	1,423,917
Public policy and advocacy	130,469	-	130,469
Insurance assistance	27,364,116	-	27,364,116
Healthcare	269,090	-	269,090
Supporting Services:			
Management and general	940,910	-	940,910
Marketing	80,681	-	80,681
Fund development	256,782	-	256,782
Volunteer services	<u>58,427</u>	<u>-</u>	<u>58,427</u>
<b>TOTAL EXPENSES</b>	<u>35,150,819</u>	<u>-</u>	<u>35,150,819</u>
<b>CHANGE IN NET ASSETS</b>	536,711	275,556	812,267
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,888,893</u>	<u>125,908</u>	<u>2,014,801</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,425,604</u>	<u>\$ 401,464</u>	<u>\$ 2,827,068</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>
<b>PUBLIC SUPPORT AND REVENUE</b>			
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>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>39,051,377</u>	<u>3,038</u>	<u>39,054,415</u>
<b>EXPENSES</b>			
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>
<b>TOTAL EXPENSES</b>	<u>38,667,241</u>	<u>-</u>	<u>38,667,241</u>
<b>CHANGE IN NET ASSETS</b>	384,136	3,038	387,174
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,504,757</u>	<u>122,870</u>	<u>1,627,627</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,888,893</u>	<u>\$ 125,908</u>	<u>\$ 2,014,801</u>

See accompanying notes to financial statements.

NASHVILLE CARES  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 812,267	\$ 387,174
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	112,896	115,339
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	(10,407)	(1,158)
(Increase) decrease in:		
Accounts receivable	131,074	(200,670)
Federal, state and local government grants and contracts receivable	277,258	(282,320)
Contributions receivable	(21,629)	45,669
Prepaid expenses and other	398,555	(665,778)
Increase (decrease) in:		
Accounts payable	(1,239,410)	1,693,494
Accrued payroll and compensated absences	59,041	(6,164)
Deferred revenue	4,101,504	(1,132,652)
NET ADJUSTMENTS	<u>3,808,882</u>	<u>(434,240)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>4,621,149</u>	<u>(47,066)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(8,299)	-
Contributions to agency endowment fund	(100)	(1,699)
Distributions from agency endowment fund	<u>2,300</u>	<u>2,300</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(6,099)</u>	<u>601</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	-	955,973
Payments on notes payable	(231,946)	(222,428)
Net payments on line of credit	<u>(755,717)</u>	<u>(163,783)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(987,663)</u>	<u>569,762</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,627,387	523,297
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,407,429</u>	<u>1,884,132</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,034,816</u>	<u>\$ 2,407,429</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid during the year	<u>\$ 110,737</u>	<u>\$ 157,391</u>

See accompanying notes to financial statements.

NASHVILLE CARES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	PROGRAM SERVICES							SUPPORTING SERVICES				TOTALS
	CASE MANAGEMENT SERVICES	HOUSING & FINANCIAL ASSISTANCE	EMOTIONAL & PRACTICAL SUPPORT	EDUCATIONAL SERVICES	PUBLIC POLICY & ADVOCACY	INSURANCE ASSISTANCE	HEALTHCARE	MANAGEMENT AND GENERAL	MARKETING	FUND DEVELOPMENT	VOLUNTEER SERVICES	
Salaries	\$ 1,544,617	\$ 12,649	\$ 542,745	\$ 765,602	\$ 59,511	\$ 341,372	\$ 21,936	\$ 512,261	\$ 60,305	\$ 133,541	\$ 42,494	\$ 4,037,033
Employee taxes and fringe benefits	384,613	3,273	106,566	151,029	7,789	76,132	4,090	102,018	11,446	14,932	10,908	872,796
<b>TOTAL PAYROLL AND RELATED EXPENSES</b>	<b>1,929,230</b>	<b>15,922</b>	<b>649,311</b>	<b>916,631</b>	<b>67,300</b>	<b>417,504</b>	<b>26,026</b>	<b>614,279</b>	<b>71,751</b>	<b>148,473</b>	<b>53,402</b>	<b>4,909,829</b>
Client assistance	72,890	715,607	646,076	10,825	-	26,544,999	-	-	-	-	-	27,990,397
Advertising	-	-	-	-	-	-	6,480	4,406	-	-	-	10,886
Audit	-	-	-	-	-	-	-	34,564	-	-	-	34,564
Bank fees and interest expense	-	-	-	-	-	-	60	17,231	-	12,987	-	30,278
Conferences and training	64	-	10,847	3,460	3,432	-	15	10,126	32	(500)	(16)	27,460
Contracts	-	-	450	275,921	-	306,298	61,000	-	-	-	-	643,669
Depreciation	53,734	309	21,307	21,433	901	6,738	253	1,952	1,734	2,946	1,589	112,896
Equipment rental and maintenance	671	-	240	364	4	322	31	24,379	15	34	15	26,075
Insurance	-	-	-	8,793	-	-	-	44,924	-	-	-	53,717
Licensure/permits	-	-	1,320	888	340	-	-	1,541	-	-	-	4,089
Medication	-	-	-	-	-	-	139,520	-	-	-	-	139,520
Memberships	-	-	-	100	22,000	-	-	919	820	1,500	-	25,339
Occupancy	62,595	398	23,244	93,251	1,600	27,348	4,406	52,019	1,801	3,296	1,566	271,524
Participation fees	-	-	3,502	125	-	-	-	4,094	-	-	-	7,721
Postage	5,156	-	1,989	385	169	15,140	-	4,695	-	1,501	12	29,047
Printing	2,927	-	3,628	565	8	3,707	-	1,305	8	2,644	-	14,792
Professional fees	67,913	24,546	44,459	19,199	32,416	27,214	12,712	96,592	3,347	5,876	1,175	335,449
Special event production	-	-	-	-	-	-	-	-	-	73,570	-	73,570
Supplies	96,427	2,516	37,504	49,073	959	8,585	16,856	14,698	35	1,849	97	228,599
Telephone	58,987	184	15,065	20,940	1,340	6,261	1,699	8,471	1,119	2,055	587	116,708
Travel/mileage	51,911	-	1,536	1,668	-	-	32	-	-	-	-	55,147
Van upkeep/gasoline	-	-	-	-	-	-	-	4,715	19	-	-	4,734
Volunteer incentives/remuneration	-	-	3,962	296	-	-	-	-	-	551	-	4,809
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,402,505</b>	<b>\$ 759,482</b>	<b>\$ 1,464,440</b>	<b>\$ 1,423,917</b>	<b>\$ 130,469</b>	<b>\$ 27,364,116</b>	<b>\$ 269,090</b>	<b>\$ 940,910</b>	<b>\$ 80,681</b>	<b>\$ 256,782</b>	<b>\$ 58,427</b>	<b>\$ 35,150,819</b>

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
<b>TOTAL PAYROLL AND RELATED EXPENSES</b>	<b>1,708,296</b>	<b>3,207</b>	<b>501,184</b>	<b>191,661</b>	<b>957,818</b>	<b>86,268</b>	<b>194,232</b>	<b>386,550</b>	<b>554,633</b>	<b>88,184</b>	<b>116,157</b>	<b>51,411</b>	<b>4,839,601</b>
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
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,084,986</b>	<b>\$ 919,166</b>	<b>\$ 609,166</b>	<b>\$ 740,520</b>	<b>\$ 1,497,780</b>	<b>\$ 143,909</b>	<b>\$ 468,073</b>	<b>\$ 30,782,060</b>	<b>\$ 1,029,051</b>	<b>\$ 96,396</b>	<b>\$ 239,511</b>	<b>\$ 56,623</b>	<b>\$ 38,667,241</b>

See accompanying notes to financial statements.

## NASHVILLE CARES

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

#### 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, 2021 or 2020.

##### 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, 2021 AND 2020

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 Statements of Financial Position. The Agency had remaining available award balances on federal and state conditional grants and contracts of approximately \$4,100,000 and \$3,800,000 at June 30, 2021 and 2020, respectively, that had not been recognized as revenue because qualifying expenditures had not yet been incurred. Advance payments under such grants/contracts of \$4,408,642 and \$307,138 were recognized in the Statements of Financial Position as deferred revenue as of June 30, 2021 and 2020, respectively.

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, 2021 and 2020 are due in less than one year.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give (Continued)

An allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends. Pledges deemed uncollectible are charged off against the allowance in the period of determination.

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 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, 2021 and 2020.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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.

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 those living with HIV 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 those living with HIV and their families living in 17 counties of northern Middle Tennessee. These clients also receive case management services.

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

Practical support - manages client access to the 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 those living with HIV and their families. This program was combined with emotional health and wellness on the Statement of Functional Expenses for the year ended June 30, 2021 for presentation purposes.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Program Services (Continued)

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.

Dental assistance - financial assistance for the payment of dental care for persons with HIV/AIDS throughout the State of Tennessee. This program ended during the year ended June 30, 2020.

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.

Healthcare - primary healthcare clinic for those living with or at risk of contracting HIV. Provides HIV treatment and maintenance, routine testing for HIV and STIs and prescriptions for pre-exposure prophylaxis (PrEP).

Supporting Services

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

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, volunteer incentives/renumeration, depreciation and occupancy. As of July 1, 2020, all expenses are now allocated on the basis of time and effort.

During the year ended June 30, 2020 depreciation was allocated on the basis of square footage and occupancy was allocated using a combination of square footage and time and effort basis.

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.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncement

On June 1, 2020, the Agency adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customer (Topic 606)* and all subsequent amendments to the ASU (collectively, "ASC 606"), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the considerations to which the entity expects to be entitled in an exchange of goods or services. The Agency adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of June 1, 2020. The Agency performed an analysis of revenue streams and transactions to determine in-scope applicability. The revenue streams considered in-scope for purposes of ASC 606 include certain grants and contracts and special events. The Agency recognizes revenues that fall within the scope of ASC 606 as it satisfies its obligation to the customer. The adoption of ASC 606 did not result in a material change to the accounting for any of the in-scope revenue streams; as such, the Agency did not record a cumulative effect adjustment.

Recent Authoritative Accounting Guidance

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the Statement of Activities. In response to the COVID pandemic and the issuance of ASU 2020-5, the new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Agency is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Events Occurring After Reporting Date

The Agency has evaluated events and transactions that occurred between June 30, 2021 and January 26, 2022, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

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>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$6,034,816	\$2,407,429
Receivables:		
Accounts	78,801	209,875
Grants and contracts	1,226,396	1,503,654
Contributions	<u>98,830</u>	<u>77,201</u>
	7,438,843	4,198,159
Less amounts not available for general expenditures within one year:		
Amounts received for advocacy	(89,347)	-
Amounts received for organizational development	-	(23,853)
Assets restricted for special events	(11,245)	(74,003)
Amounts received for technology improvement	<u>(284,406)</u>	<u>-</u>
Balance - end of year	<u>\$7,053,845</u>	<u>\$4,100,303</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 \$1,000,000 as of June 30, 2021, to meet cash flow needs (see Note 7).

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 3 - GRANTS AND CONTRACTS RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
HUD - Housing Opportunities for Persons with AIDS (HOPWA) - TDH	\$ 23,438	\$ 34,227
HUD - Housing Opportunities for Persons with AIDS (HOPWA) - MDHA	102,700	286,755
HUD - Emergency Solutions Grant - MDHA	7,501	15,009
CDC - High Impact Prevention - Direct	132,711	84,715
CDC - HIV Prevention and Education - UWMN	21,620	25,705
CDC - Counseling and Testing Services - TDH	14,201	35,599
Ryan White Part B - TDH	674,189	708,349
Ryan White Part A - MPHD	130,241	138,257
Ryan White Part B - UWMN	53,699	120,929
Substance Abuse and Mental Health Services Administration - TDMHSA	52,173	27,648
Other	13,923	26,461
	<u>\$ 1,226,396</u>	<u>\$ 1,503,654</u>

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land	\$ 795,000	\$ 795,000
Buildings	2,270,361	2,270,361
Building improvements	1,314,064	1,305,733
Vehicles	22,270	32,957
Software	116,797	116,797
Furniture and equipment	329,547	329,547
	4,848,039	4,850,395
Less accumulated depreciation	(1,280,246)	(1,178,005)
	<u>\$ 3,567,793</u>	<u>\$ 3,672,390</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

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, 2021 and 2020, follows:

	<u>2021</u>	<u>2020</u>
Balance - beginning of year	\$ 45,211	\$ 44,654
Contributions to the fund	100	1,699
Change in value of beneficial interest in agency endowment fund:		
Investment income	10,716	1,450
Administrative expenses	<u>(309)</u>	<u>(292)</u>
	10,407	1,158
Distributions to the Agency	<u>(2,300)</u>	<u>(2,300)</u>
Balance - end of year	<u>\$ 53,418</u>	<u>\$ 45,211</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>2021</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>\$ 53,418</u>	<u>\$ -</u>	<u>\$ 53,418</u>

  

	<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>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 7 - DEBT

In May 2013, the Agency entered into a loan agreement with BancorpSouth Bank for \$2,015,000. 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. The outstanding balance on the note was \$1,415,418 at June 30, 2021.

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. The outstanding balance on the note was \$878,429 at June 30, 2021.

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, 2021, the net book value of the land, buildings and improvements was \$3,554,523.

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. Forgiveness of the loan was applied for in December 2021. 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. The outstanding balance on the note was \$955,973 at June 30, 2021.

Future maturities of notes payable based on the outstanding balances at June 30, 2021 are as follows:

<u>Year ending June 30,</u>	
2022	\$ 1,197,922
2023	251,551
2024	261,395
2025	271,929
2026	282,744
Thereafter	<u>984,279</u>
	<u>\$ 3,249,820</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

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 matured on September 25, 2021. An extension has been granted through February 25, 2022. The effective interest rate at June 30, 2021 was 3.5% and the outstanding balance was \$0 (\$755,717 at June 30, 2020). 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, 2021, the Agency was in compliance with this requirement.

Total interest expense incurred by the Agency was \$110,221 in 2021 and \$156,224 in 2020 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>2021</u>	<u>2020</u>
<u>Net assets with time restrictions</u>		
Annual campaign	\$ -	\$ 27,852
Special events receivable	11,245	44,103
Foundation and corporate grants and religious contributions	88,966	200
<u>Net assets with purpose restrictions</u>		
Advocacy	16,847	-
Organizational development	-	23,853
Special events sponsorships	-	29,900
Technology improvement	284,406	-
	<u>\$ 401,464</u>	<u>\$ 125,908</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 2021 and 2020.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

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 and accounts receivable. Contributions receivable consist of individual and corporate contribution pledges which are widely dispersed to mitigate credit risk. Grant 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, 2021, the Agency's depository accounts exceeded FDIC insurance limits by approximately \$6.1 million.

SUPPLEMENTARY INFORMATION

NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

Program Name	Federal CFDA Number	Contract Number	Award Period	(Accrued) Deferred Revenue 7/1/2020	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2021	Passed Through to Subrecipients
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>								
Emergency Food and Shelter Program	97.024	Phase 35	6/1/20 - 12/31/20	\$ -	\$ 20,000	\$ 20,000	\$ -	\$ -
Emergency Food and Shelter Program	97.024	Phase 38	1/1/21 - 5/31/21	-	5,000	10,000	(5,000)	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				-	25,000	30,000	(5,000)	-
<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-18-53475-05	7/1/19 - 6/30/20	(32,369)	32,369	-	-	-
Housing Opportunities for Persons with AIDS	14.241	GR-18-53475-05	7/1/20 - 6/30/21	-	48,826	68,006	(19,180)	-
COVID-19 Housing Opportunities for Persons with AIDS	14.241	GR-18-53475-05	7/1/19 - 6/30/21	(1,858)	20,808	23,207	(4,257)	-
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:								
Housing Opportunities for Persons with AIDS	14.241	N/A	7/1/19 - 6/30/20	(286,755)	626,637	339,882	-	-
Housing Opportunities for Persons with AIDS	14.241	N/A	7/1/20 - 12/31/21	-	322,055	405,539	(83,484)	-
COVID-19 Housing Opportunities for Persons with AIDS	14.241	N/A	7/1/20 - 6/30/22	-	70,423	89,639	(19,216)	-
Emergency Solutions Grants	14.231	N/A	7/1/18 - 12/31/19	(15,009)	15,009	-	-	-
Emergency Solutions Grants	14.231	N/A	7/1/20 - 12/31/21	-	971	971	-	-
COVID-19 Emergency Solutions Grants	14.231	N/A	1/21/20 - 7/31/22	-	54,699	62,200	(7,501)	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				(335,991)	1,191,797	989,444	(133,638)	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>								
HIV Prevention Activities Non-Governmental Organization Based	93.939	6NU65PS004724-05-01	7/1/19 - 6/30/20	(84,715)	84,715	-	-	-
HIV Prevention Activities Non-Governmental Organization Based	93.939	6NU65PS004724-05-02	7/1/20 - 6/30/21	-	619,883	752,594	(132,711)	208,215
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	1/1/20 - 12/31/20	(25,705)	115,474	89,769	-	-
HIV Prevention Activities Health Department Based	93.940	N/A	1/1/21 - 12/31/21	-	52,677	74,297	(21,620)	-
PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:								
HIV Prevention Activities Health Department Based	93.940	GR-18-57255-02	1/1/20 - 12/31/20	(35,599)	100,830	65,231	-	-
HIV Prevention Activities Health Department Based	93.940	GR-18-57255-03	1/1/21 - 12/31/21	-	35,794	49,995	(14,201)	-
HIV Care Formula Grants	93.917*	GR-20-67267	4/1/20 - 3/31/21	(261,985)	1,124,113	862,128	-	-
HIV Care Formula Grants	93.917*	GR-20-67267-01	4/1/21 - 3/31/22	-	-	258,435	(258,435)	-
HIV Care Formula Grants	93.917*	GR-18-55875-06	4/1/20 - 3/31/21	(172,067)	541,234	369,167	-	-
HIV Care Formula Grants	93.917*	GR-18-55875-07	4/1/21 - 3/31/22	-	-	93,211	(93,211)	-
COVID-19 HIV Care Formula Grants	93.917*	GR-18-55875-05	4/1/20 - 3/31/21	(27,889)	79,106	51,217	-	-
PASSED THROUGH TENNESSEE DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES:								
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	7/1/19 - 6/30/20	(27,648)	27,648	-	-	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	7/1/20 - 6/30/21	-	119,243	171,416	(52,173)	-
PASSED THROUGH THE UNITED WAY OF METROPOLITAN NASHVILLE:								
HIV Care Formula Grants	93.917*	N/A	4/1/20 - 3/31/21	(120,929)	560,673	439,744	-	-
HIV Care Formula Grants	93.917*	N/A	4/1/21 - 3/31/22	-	34,316	88,016	(53,700)	-

(continued on following page)

NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2021

Program Name	Federal CFDA Number	Contract Number	Award Period	(Accrued) Deferred Revenue 7/1/2020	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2021	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	6485129	3/1/20 - 2/28/21	\$ (132,814)	\$ 1,143,419	\$ 1,010,605	\$ -	\$ -
HIV Emergency Relief Project Grants	93.914	6485129	3/1/21 - 2/28/22	-	385,646	508,442	(122,796)	-
COVID-19 HIV Emergency Relief Project Grants	93.914	6485129	3/1/20 - 2/28/22	-	260,353	266,616	(6,263)	-
HIV Emergency Relief Project Grants	93.914	N/A	3/1/20 - 2/28/21	(5,443)	56,139	50,696	-	-
HIV Emergency Relief Project Grants	93.914	N/A	3/1/21 - 2/28/22	-	6,607	7,789	(1,182)	-
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	-	-	-
Allergy and Infectious Diseases Research	93.855	2P30AI110527-06	5/1/20 - 4/30/21	-	41,253	41,253	-	-
Allergy and Infectious Diseases Research	93.855	5P30AI110527-07	5/1/21 - 4/30/22	-	-	8,924	(8,924)	-
PASSED THROUGH RTI INTERNATIONAL:								
Drug Abuse and Addiction Research Program	93.279	6-312-0216621-65444L	11/08/18 - 6/30/21	(5,063)	5,063	-	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				(921,255)	5,415,584	5,259,545	(765,216)	208,215
<u>U.S. DEPARTMENT OF TREASURY</u>								
PASSED THROUGH TENNESSEE DEPARTMENT OF FINANCE & ADMINISTRATION:								
Coronavirus Relief Fund	21.019	N/A	3/1/20 - 12/31/20	-	314,698	314,698	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				-	314,698	314,698	-	-
				\$ (1,257,246)	\$ 6,947,079	\$ 6,593,687	\$ (903,854)	\$ 208,215

\*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, 2021. 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	\$ 926,273
14.231	63,171
21.019	314,698
93.855	50,177
93.939	752,594
93.940	279,292
93.917	2,161,918
93.959	171,416
93.914	1,844,148
97.024	30,000
	<u>\$ 6,593,687</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, 2021, 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 26, 2022.

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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2021-001 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.

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

Nashville, Tennessee  
January 26, 2022

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, 2021. The Agency's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for 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, 2021.

## 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 2021-001 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 26, 2022

NASHVILLE CARES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

**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:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
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93.917	HIV Care Formula Grants
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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, 2021

**Section II - Financial Statement Findings**

**2021-001 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 beginning of the year, the completion of bank reconciliations were behind by two months. Bank reconciliations became current in September 2020.

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:

2020-001 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)**

**2021-001 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.

A new CFO was hired during the year and as of September 2020, 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**

**2021-001 Reconciliation of bank accounts**

CFDA Number: 93.917

Program Name: HIV Care Formula Grants

See Section II - item 2021-001 for a description of this finding as it relates to both internal control over financial reporting and federal awards.



## Summary Schedule of Prior Audit Findings

Year Ended June 30, 2021

### **Financial Statement Finding and Federal Award Finding:**

**Prior Year Finding Number:** 2020-001

**Finding Title:** Reconciliation of bank accounts

**Summary:** Monthly reconciliations were not performed timely for one of the Organization's bank accounts.

**Status: Partially Corrected** - As of the beginning of the year, the completion of bank reconciliations were behind by two months. Bank reconciliations became current in September 2020.

**Current Year Finding Number:** 2021-001

Corrective Action Plan

Year Ended June 30, 2021

**Finding 2021-001**

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

**Department's Response:** We concur.

**Views of Responsible Officials and Corrective Action:**

As of September 2020, all of the reconcilements were up to date and reconciled timely, therefore, the Organization is no longer in default of the findings noted above.

**Name of Responsible Person:** Karen Stinson, Policies & Procedures Specialist

**Project Implementation Date:** N/A