

NASHVILLE CARES

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2017 AND 2016

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

JUNE 30, 2017 AND 2016

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Nashville CARES 2017 Board of Directors

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Jim Creason, Treasurer

Anne C. Martin, Vice President

Mike Smith, Immediate Past President

Charles Fields Jr., Secretary

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* Retired March 2017

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* Retired May 2016

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nashville CARES
Nashville, Tennessee

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Nashville CARES (the "Agency"), a Tennessee not-for-profit corporation, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

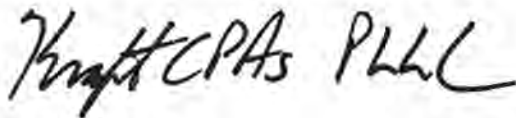
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville CARES as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2018 on our consideration of Nashville CARES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Nashville CARES' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nashville CARES' internal control over financial reporting and compliance.

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

Nashville, Tennessee
March 15, 2018

NASHVILLE CARES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 177,381	\$ 5,086,779
Accounts receivable	2,464	1,898
Federal, state and local government grants and contracts receivable	1,460,012	1,745,297
Contributions receivable:		
United Way	21,974	16,790
Foundation and outcome-based grants receivable	79,558	64,060
HCA Caring for the Community	8,229	18,469
Other workplace campaign	17,949	18,252
Major gifts receivable	28,151	36,842
Special events receivable	90,940	78,452
Allowance for uncollectible contributions	(8,069)	-
Prepaid expenses and other	98,228	99,535
Property and equipment	4,030,308	2,621,937
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	35,477	30,714
TOTAL ASSETS	<u><u>\$ 6,042,602</u></u>	<u><u>\$ 9,819,025</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Checks issued in excess of deposits	\$ 143,243	\$ 136,504
Accounts payable	336,084	503,797
Accrued payroll and compensated absences	238,247	199,193
Deferred revenue	2,034	4,457,755
Line of credit	534,436	741,393
Note payable	3,168,981	1,814,848
TOTAL LIABILITIES	<u>4,423,025</u>	<u>7,853,490</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted:		
Undesignated	484,074	894,867
Designated for property and equipment, less related debt	861,327	807,089
Designated for beneficial interest in agency endowment fund	35,477	30,714
Total unrestricted	1,380,878	1,732,670
Temporarily restricted	238,699	232,865
TOTAL NET ASSETS	<u>1,619,577</u>	<u>1,965,535</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,042,602</u></u>	<u><u>\$ 9,819,025</u></u>

See accompanying notes to financial statements.

NASHVILLE CARES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Annual Campaign	\$ 180,275	\$ 34,550	\$ 214,825
Sanford Bloch Memorial Fund	519	-	519
United Way designations	1,064	22,644	23,708
HCA Caring for the Community designations	-	15,172	15,172
Other workplace campaign designations	6,535	17,483	24,018
Religious gifts	6,308	8,750	15,058
Special events	231,327	123,450	354,777
Federal, state and local grants and contracts	31,012,450	-	31,012,450
Foundation and corporate grants	<u>139,603</u>	<u>197,000</u>	<u>336,603</u>
Total Public Support	31,578,081	419,049	31,997,130
Interest income	2,399	-	2,399
Other revenue	35,803	-	35,803
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	963	-	963
Rental income	3,923	-	3,923
Net assets released resulting from satisfaction of donor restrictions	<u>413,215</u>	<u>(413,215)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>32,034,384</u>	<u>5,834</u>	<u>32,040,218</u>
EXPENSES			
Program Services:			
Case management services	1,545,959	-	1,545,959
Housing and financial assistance	1,014,814	-	1,014,814
Emotional health and wellness	442,380	-	442,380
Onsite services	836,463	-	836,463
Educational services	1,690,689	-	1,690,689
Public policy and advocacy	110,514	-	110,514
Dental assistance	2,361,676	-	2,361,676
Insurance assistance	22,917,450	-	22,917,450
Supporting Services:			
Management and general	862,143	-	862,143
Marketing	97,874	-	97,874
Fund development	457,922	-	457,922
Volunteer services	<u>48,292</u>	<u>-</u>	<u>48,292</u>
TOTAL EXPENSES	<u>32,386,176</u>	<u>-</u>	<u>32,386,176</u>
CHANGE IN NET ASSETS	(351,792)	5,834	(345,958)
NET ASSETS - BEGINNING OF YEAR	<u>1,732,670</u>	<u>232,865</u>	<u>1,965,535</u>
NET ASSETS - END OF YEAR	<u>\$ 1,380,878</u>	<u>\$ 238,699</u>	<u>\$ 1,619,577</u>

See accompanying notes to financial statements.

NASHVILLE CARES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Annual Campaign	\$ 170,807	\$ 41,441	\$ 212,248
Sanford Bloch Memorial Fund	5,920	-	5,920
United Way designations	4,243	18,711	22,954
HCA Caring for the Community designations	500	24,007	24,507
Other workplace campaign designations	5,488	5,266	10,754
Religious gifts	14,370	-	14,370
Special events	296,203	127,007	423,210
Federal, state and local grants and contracts	28,657,372	-	28,657,372
Foundation and corporate grants	<u>129,829</u>	<u>366,936</u>	<u>496,765</u>
Total Public Support	29,284,732	583,368	29,868,100
Interest income	2,222	-	2,222
Other revenue	16,780	-	16,780
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	(788)	-	(788)
Rental income	-	-	-
Net assets released resulting from satisfaction of donor restrictions	<u>543,596</u>	<u>(543,596)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>29,846,542</u>	<u>39,772</u>	<u>29,886,314</u>
EXPENSES			
Program Services:			
Case management services	1,140,514	-	1,140,514
Housing and financial assistance	650,087	-	650,087
Emotional health and wellness	448,044	-	448,044
Onsite services	810,589	-	810,589
Educational services	1,160,351	-	1,160,351
Public policy and advocacy	108,880	-	108,880
Dental assistance	2,173,317	-	2,173,317
Insurance assistance	22,031,712	-	22,031,712
Supporting Services:			
Management and general	848,935	-	848,935
Marketing	86,587	-	86,587
Fund development	384,025	-	384,025
Volunteer services	<u>39,416</u>	<u>-</u>	<u>39,416</u>
TOTAL EXPENSES	<u>29,882,457</u>	<u>-</u>	<u>29,882,457</u>
CHANGE IN NET ASSETS	(35,915)	39,772	3,857
NET ASSETS - BEGINNING OF YEAR	<u>1,768,585</u>	<u>193,093</u>	<u>1,961,678</u>
NET ASSETS - END OF YEAR	<u>\$ 1,732,670</u>	<u>\$ 232,865</u>	<u>\$ 1,965,535</u>

See accompanying notes to financial statements.

NASHVILLE CARES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (345,958)	\$ 3,857
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	101,777	94,735
Loss on disposal of property and equipment	13,367	-
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	(963)	788
(Increase) decrease in:		
Accounts receivable	(566)	(180)
Federal, state and local government grants receivable and contracts receivable	285,285	(665,272)
Contributions receivable	(5,867)	(39,772)
Prepaid expenses and other	1,307	1,369
Increase (decrease) in:		
Checks issued in excess of deposits	6,739	103,359
Accounts payable	(167,713)	223,332
Accrued payroll and compensated absences	39,054	(99,613)
Deferred revenue	(4,455,721)	431,574
NET ADJUSTMENTS	(4,183,301)	50,320
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(4,529,259)	54,177
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(501,156)	(57,863)
Contributions to agency endowment fund	(5,400)	(264)
Distributions from agency endowment fund	1,600	1,600
NET CASH USED IN INVESTING ACTIVITIES	(504,956)	(56,527)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(145,867)	(69,437)
Proceeds from note payable	477,641	-
Net borrowings (repayments) on line of credit	(206,957)	586,646
NET CASH PROVIDED BY FINANCING ACTIVITIES	124,817	517,209
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,909,398)	514,859
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,086,779	4,571,920
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 177,381</u>	<u>\$ 5,086,779</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Proceeds from note payable for new building	\$ 1,500,000	\$ -
Less: purchase price of new building	(1,022,359)	-
Net proceeds from note payable	<u>\$ 477,641</u>	<u>\$ -</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid during the year	<u>\$ 116,517</u>	<u>\$ 94,214</u>

See accompanying notes to financial statements.

NASHVILLE CARES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	PROGRAM SERVICES								SUPPORTING SERVICES				
	CASE MANAGEMENT SERVICES	HOUSING & FINANCIAL ASSISTANCE	EMOTIONAL HEALTH & WELLNESS	ONSITE SERVICES	EDUCATIONAL SERVICES	PUBLIC POLICY & ADVOCACY	DENTAL ASSISTANCE	INSURANCE ASSISTANCE	MANAGEMENT AND GENERAL	MARKETING	FUND DEVELOPMENT	VOLUNTEER SERVICES	TOTALS
Salaries	\$ 1,095,001	\$ 79,280	\$ 275,895	\$ 326,757	\$ 813,337	\$ 81,054	\$ 200,580	\$ 354,038	\$ 500,961	\$ 76,969	\$ 208,321	\$ 36,160	\$ 4,048,353
Employee taxes and fringe benefits	247,895	18,401	43,876	78,859	180,020	8,904	42,851	80,188	98,501	11,434	38,569	5,535	855,033
TOTAL PAYROLL AND RELATED EXPENSES	1,342,896	97,681	319,771	405,616	993,357	89,958	243,431	434,226	599,462	88,403	246,890	41,695	4,903,386
Client assistance	2,644	907,107	-	384,869	20,331	-	1,968,366	22,396,635	-	-	-	-	25,679,952
Advertising	-	-	-	-	-	-	-	-	2,033	532	13,789	-	16,354
Audit	-	-	-	-	-	-	-	-	28,450	-	-	-	28,450
Bank fees and interest expense	-	-	-	-	-	-	-	-	38,169	-	4,444	-	42,613
Conferences and training	44	-	3,982	-	27,654	5,781	-	403	2,454	20	190	-	40,528
Contracts	-	-	48,424	-	313,293	-	64,000	-	2,502	-	-	-	428,219
Depreciation on furniture and equipment	27,755	2,212	6,075	11,794	20,781	1,274	5,943	10,286	9,385	1,302	3,990	980	101,777
Equipment rental and maintenance	-	-	-	-	228	-	-	-	16,358	-	-	-	16,586
Insurance	-	-	-	-	17,424	-	-	-	33,798	-	-	-	51,222
Licensure/permits	-	-	1,092	510	150	490	-	-	1,098	-	765	-	4,105
Memberships	-	-	-	-	-	4,250	-	-	1,034	240	695	400	6,619
Occupancy	34,487	2,759	8,451	16,362	108,054	1,701	8,839	15,228	28,709	1,809	5,229	1,261	232,889
Participation fees	-	-	-	-	95	-	-	-	-	400	1,000	50	1,545
Postage	4,213	-	26	2,072	93	3	10,043	18,022	639	50	2,740	4	37,905
Printing	3,681	4	206	660	2,574	87	367	7,176	4,088	296	12,374	161	31,674
Professional fees	44,704	1,739	20,292	8,712	23,489	1,500	15,722	14,449	52,566	3,888	9,741	2,266	199,068
Space rental	-	-	-	-	3,191	-	-	-	-	-	-	-	3,191
Special event production	-	-	-	-	-	-	-	-	-	-	128,126	-	128,126
Supplies	34,646	13	25,042	1,454	93,259	1,394	36,887	17,773	32,568	182	14,025	1,121	258,364
Telephone	18,602	1,780	4,723	3,012	18,238	1,537	1,434	2,779	6,386	721	1,340	206	60,758
Travel/mileage	28,537	1,519	2,769	1,402	19,446	990	167	473	844	31	824	73	57,075
Van upkeep/gasoline	-	-	-	-	-	-	-	-	1,600	-	-	-	1,600
Volunteer incentives/remuneration	3,750	-	1,527	-	22,151	1,549	6,477	-	-	-	-	-	35,454
Miscellaneous	-	-	-	-	6,881	-	-	-	-	-	11,760	75	18,716
TOTAL FUNCTIONAL EXPENSES	\$ 1,545,959	\$ 1,014,814	\$ 442,380	\$ 836,463	\$ 1,690,689	\$ 110,514	\$ 2,361,676	\$ 22,917,450	\$ 862,143	\$ 97,874	\$ 457,922	\$ 48,292	\$32,386,176

See accompanying notes to financial statements.

NASHVILLE CARES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	PROGRAM SERVICES								SUPPORTING SERVICES					
	CASE MANAGEMENT SERVICES	HOUSING & FINANCIAL ASSISTANCE	EMOTIONAL HEALTH & WELLNESS	ONSITE SERVICES	EDUCATIONAL SERVICES	PUBLIC POLICY & ADVOCACY	DENTAL ASSISTANCE	INSURANCE ASSISTANCE	MANAGEMENT AND GENERAL	MARKETING	FUND DEVELOPMENT	VOLUNTEER SERVICES	TOTALS	
Salaries	\$ 820,973	\$ 26,202	\$ 276,213	\$ 306,669	\$ 604,583	\$ 81,662	\$ 116,844	\$ 321,398	\$ 517,128	\$ 58,760	\$ 196,109	\$ 30,675	\$ 3,357,216	
Employee taxes and fringe benefits	186,704	7,282	65,465	81,731	146,652	9,480	24,839	80,419	106,421	10,798	37,723	2,859	760,373	
TOTAL PAYROLL AND RELATED EXPENSES	1,007,677	33,484	341,678	388,400	751,235	91,142	141,683	401,817	623,549	69,558	233,832	33,534	4,117,589	
Client assistance	-	611,643	-	358,881	26,550	-	1,994,591	21,542,656	-	-	-	-	24,534,321	
Advertising	-	-	-	-	-	-	-	-	1,220	50	2,404	-	3,674	
Audit	-	-	-	-	-	-	-	-	28,650	-	-	-	28,650	
Bank fees and interest expense	-	-	-	-	-	-	-	-	22,490	-	2,765	-	25,255	
Conferences and training	295	-	1,164	-	16,835	1,684	-	1,018	2,907	-	109	-	24,012	
Contracts	-	-	10,798	-	156,341	-	-	-	-	-	2,188	-	169,327	
Depreciation on furniture and equipment	22,282	703	10,130	13,361	18,068	1,699	3,213	8,276	10,408	1,410	4,245	940	94,735	
Equipment rental and maintenance	-	-	-	-	-	-	-	-	15,372	-	-	-	15,372	
Insurance	-	-	-	-	-	-	-	-	29,409	-	-	-	29,409	
Licensure/permits	-	-	1,010	720	-	190	-	-	963	-	962	-	3,845	
Memberships	-	-	-	-	-	6,000	-	-	1,040	240	150	350	7,780	
Occupancy	31,764	863	14,233	19,181	27,629	2,457	4,485	11,109	28,677	1,980	6,028	1,340	149,746	
Participation fees	-	-	-	-	845	-	-	-	-	1,140	-	-	1,985	
Postage	3,156	-	17	3,901	830	-	5,307	13,926	689	-	2,237	33	30,096	
Printing	4,950	1	234	1,072	2,624	260	56	6,755	4,199	156	2,966	146	23,419	
Professional fees	29,306	540	30,364	9,895	6,850	1,914	4,800	13,693	37,683	11,180	8,170	2,208	156,603	
Space rental	-	-	-	-	10,040	-	-	-	-	-	-	-	10,040	
Special event production	-	-	-	-	-	-	-	-	-	-	104,406	-	104,406	
Supplies	15,492	1,529	28,425	11,905	77,225	608	13,065	27,758	32,009	447	11,241	669	220,373	
Telephone	11,072	381	4,245	3,120	11,339	1,472	814	2,415	5,865	416	1,289	164	42,592	
Travel/mileage	14,520	943	2,787	153	12,932	1,454	49	746	1,010	10	1,033	32	35,669	
Van upkeep/gasoline	-	-	-	-	-	-	-	-	2,413	-	-	-	2,413	
Volunteer incentives/remuneration	-	-	2,860	-	41,008	-	5,254	1,543	-	-	-	-	50,665	
Miscellaneous	-	-	99	-	-	-	-	-	382	-	-	-	481	
TOTAL FUNCTIONAL EXPENSES	\$ 1,140,514	\$ 650,087	\$ 448,044	\$ 810,589	\$ 1,160,351	\$ 108,880	\$ 2,173,317	\$ 22,031,712	\$ 848,935	\$ 86,587	\$ 384,025	\$ 39,416	\$ 29,882,457	

See accompanying notes to financial statements.

NASHVILLE CARES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

Basis of Presentation

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

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

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors’ stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Agency had no permanently restricted net assets as of June 30, 2017 or 2016.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, Support and Revenues

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

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

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

Contract revenue is recognized when services are rendered and/or reimbursable charges are incurred under the terms of the contract. Contract revenue received in advance of services provided and/or reimbursable charges being incurred are recorded as deferred revenue.

The Agency reports any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets, and/or support that is restricted to the acquisition of long-lived assets, are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits with banks and money market funds.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

All contributions receivable at June 30, 2017 and 2016 are due in less than one year.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

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

Agency Endowment Fund

The Agency's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee (the "Community Foundation") is recognized as an asset. Investment income and changes in the value of the fund are recognized in the Statement of Activities, and distributions received from the fund are recorded as increases (decreases) in the beneficial interest. (See Note 4.)

Fair Value Measurements

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

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

The beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee represents the Agency's interest in pooled investments with other participants in the funds. The Community Foundation prepares a valuation of the fund based on the fair value of the underlying investments using quoted market prices and allocates income or loss to each participant based on market results. The Agency reflects this asset within Level 2 of the valuation hierarchy.

There have been no changes in the valuation methodologies used at June 30, 2017 and 2016.

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, 2017 AND 2016

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.

Onsite services - 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, 2017 AND 2016

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 a 39-county area in Middle Tennessee and Upper Cumberland. This became a statewide program in April 2017.

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 - recruitment, training and placement of volunteers within the various departments of the Agency. There are currently more than 300 volunteers that work in all areas of the Agency.

Allocation of Functional Expenses

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

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.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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.

Events Occurring After Reporting Date

The Agency has evaluated events and transactions that occurred between June 30, 2017 and March 15, 2018, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Recent Authoritative Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance on revenue from contracts with customers, 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 Accounting Standards Update ("ASU") 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. 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)*. 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 income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Agency is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance (Continued)

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Agency is currently evaluating the impact the adoption of this guidance will have on its financial statements.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

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

	<u>2017</u>	<u>2016</u>
HUD - Housing Opportunities for Persons with AIDS (HOPWA)	\$ 142,516	\$ 250,105
HUD - Emergency Solutions Grant	8,841	14,735
CDC - HIV Prevention and Education	14,798	29,331
CDC - Counseling and Testing Services	22,521	53,797
CDC - High Impact Prevention	230,258	211,604
Ryan White CARE Act - Part B - Medical Case Management	122,047	149,359
Ryan White CARE Act - Part B Care Middle Tennessee	46,196	28,587
Ryan White CARE Act - Part B Dental Assistance Middle Tennessee	122,099	467,822
Ryan White CARE Act - Part A Care Nashville Transitional Grant Area (TGA)	234,121	244,546
Ryan White CARE Act - Part A Dental Assistance Nashville TGA	43,075	79,622
Ryan White CARE Act - Part A Minority AIDS Initiative Nashville TGA	8,687	7,270
Ryan White CARE Act - Part A Minority AIDS Initiatives Dental Nashville TGA	953	41,956
Ryan White CARE Act - Part B Insurance Assistance	417,039	115,262
State Department of Mental Health - Early Intervention Services	21,243	37,196
Vanderbilt University Research	4,113	-
Metro Nashville Community Enhancement Grant	21,505	14,105
	<u>\$ 1,460,012</u>	<u>\$ 1,745,297</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

NOTE 3 - PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Land	\$ 795,000	\$ 400,000
Buildings	2,270,361	1,615,000
Building improvements	1,305,733	845,764
Vehicles	32,957	32,957
Software	116,797	120,283
Furniture and equipment	<u>329,547</u>	<u>331,647</u>
	4,850,395	3,345,651
Less accumulated depreciation	<u>(820,087)</u>	<u>(723,714)</u>
	<u>\$ 4,030,308</u>	<u>\$ 2,621,937</u>

In November 2016, the Agency purchased additional property in Nashville, Tennessee in order to expand efforts relating to its mission.

NOTE 4 - AGENCY ENDOWMENT FUND

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

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

NOTE 4 - AGENCY ENDOWMENT FUND (CONTINUED)

A schedule of changes in the Agency's beneficial interest in this fund for the years ended June 30, 2017 and 2016, follows:

	<u>2017</u>	<u>2016</u>
Balance - beginning of year	\$ 30,714	\$ 32,838
Contributions to the fund	5,400	264
Change in value of beneficial interest in agency endowment fund:		
Investment income (loss)	1,122	(630)
Administrative expenses	<u>(159)</u>	<u>(158)</u>
	963	(788)
Distributions to the Agency	<u>(1,600)</u>	<u>(1,600)</u>
Balance - end of year	<u><u>\$ 35,477</u></u>	<u><u>\$ 30,714</u></u>

NOTE 5 - FAIR VALUE MEASUREMENTS

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

		<u>2017</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>\$ 35,477</u>	<u>\$ -</u>	<u>\$ 35,477</u>
		<u>2016</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>\$ 30,714</u>	<u>\$ -</u>	<u>\$ 30,714</u>

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

NOTE 6 - DEBT

In May 2013, the Agency entered into a loan agreement with BancorpSouth Bank. The note had an initial balance of \$2,015,000 that was used to pay off an existing loan with Beacon Federal Bank. The loan requires principal and interest installments, with interest accrued at 4.49% per annum, through June 3, 2028. On that date, the interest rate will be modified to be prime plus 0.25% (with a floor of 4.5%) until the note's maturity on June 3, 2033. The note is secured by a deed of trust on the Agency's real estate. This note may be prepaid in whole or in part at any time and requires a prepayment premium for prepayments under certain circumstances prior to May 3, 2018.

In November, 2016, the Agency entered into a new loan agreement with BancorpSouth Bank. The new note had an initial balance of \$1,500,000. The loan requires principal and interest installments, with interest accrued at 3.499% per annum, through November 15, 2026. The note is secured by a deed of trust on the Agency's real estate. This note may be prepaid in whole or in part at any time and requires a prepayment premium for prepayments prior to November 9, 2019.

A schedule of future principal maturities under the notes as of June 30, 2017, follows:

<u>Year ending June 30,</u>	
2018	\$ 207,128
2019	215,327
2020	223,662
2021	232,719
2022	241,949
Thereafter	<u>2,048,196</u>
	<u>\$ 3,168,981</u>

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 0.15% (with a floor of 3.75%) and matures on January 3, 2019. The effective interest rate at June 30, 2017 was 4.40% and the outstanding balance was \$534,436 (\$741,393 at June 30, 2016). 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, 2017, the Agency was not in compliance with this requirement and has received a waiver from the bank.

Total interest expense incurred by the Agency was \$118,324 in 2017 and \$93,955 in 2016 and is included in occupancy expense for the note payable and in bank fees and interest expense for the line of credit.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
United Way of Metropolitan Nashville:		
Designations	\$ 21,974	\$ 16,790
Outcome-based funding grants	34,075	24,435
HCA Caring for the Community campaign	8,229	18,469
Other United Way and workplace campaigns	17,949	18,252
Donation for special events	80,830	78,452
Corporate and foundation grants - operational support for the following year:		
AIDS United	37,500	35,000
Annual campaign	33,204	36,842
Religious contributions	<u>4,938</u>	<u>4,625</u>
	<u>\$ 238,699</u>	<u>\$ 232,865</u>

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Agency sponsors a Section 403(b) retirement plan. Employees may participate in the plan upon hiring. Under the plan, the Agency has the discretion to vary the rate of the Employer match on an annual basis up to a maximum of 6% of each eligible employee's compensation. Management elected to not make matching contributions during 2017 and 2016.

NASHVILLE CARES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

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

The Agency maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of June 30, 2017, the Agency's depository accounts exceeded FDIC insurance limits by approximately \$378,000.

SUPPLEMENTARY INFORMATION

NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Program Name	Federal CFDA Number	Contract Number	Award Period	Award Amount	(Accrued) Deferred Revenue 7/1/2016	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2017	Passed Through to Subrecipients
<u>FEDERAL AWARDS:</u>									
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>									
PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:									
Housing Opportunities for Persons with AIDS	14.241	GR-12-35783-00	7-1-15 - 6-30-16	\$ 74,200	\$ (21,679)	\$ 21,679	\$ -	\$ -	\$ -
Housing Opportunities for Persons with AIDS	14.241	GR-17-49886-01	7-1-16 - 6-30-17	\$ 74,200	-	67,181	74,200	(7,019)	-
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:									
Housing Opportunities for Persons with AIDS	14.241	N/A	4-1-15 - 6-30-16	\$ 620,775	(228,426)	228,426	-	-	-
Housing Opportunities for Persons with AIDS	14.241	N/A	7-1-16 - 6-30-17	\$ 604,728	-	469,231	604,728	(135,497)	-
Emergency Solutions Grants	14.231	N/A	4-1-15 - 6-30-16	\$ 42,448	(14,735)	14,185	(550)	-	-
Emergency Solutions Grants	14.231	N/A	7-1-16 - 6-30-17	\$ 46,000	-	35,413	44,254	(8,841)	-
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					(264,840)	836,115	722,632	(151,357)	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>									
HIV Prevention Activities Non-Governmental Organization Based	93.939*	6NU65PS004724-01-02	7-1-15 - 6-30-16	\$ 757,793	(211,604)	211,604	-	-	-
HIV Prevention Activities Non-Governmental Organization Based	93.939*	6NU65PS004724-01-02	7-1-15 - 6-30-17	\$ 180,261	-	52,141	95,519	(43,378)	-
HIV Prevention Activities Non-Governmental Organization Based	93.939*	5NU65PS004724-01-02	7-1-16 - 6-30-17	\$ 757,793	-	516,455	703,335	(186,880)	310,918
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	1-1-16 - 12-31-16	\$ 150,000	(29,331)	121,020	91,689	-	-
HIV Prevention Activities Health Department Based	93.940	N/A	1-1-17 - 12-31-17	\$ 132,300	-	58,011	72,809	(14,798)	-
PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH:									
HIV Prevention Activities Health Department Based	93.940	GR-15-43796	1-1-16 - 12-31-16	\$ 246,300	(53,797)	151,017	97,220	-	-
HIV Prevention Activities Health Department Based	93.940	GR-16-48013	1-1-17 - 12-31-17	\$ 199,000	-	75,045	97,566	(22,521)	-
HIV Care Formula Grants	93.917*	GR-16-48616-02	4-1-16 - 3-31-17	\$ 1,059,600	(149,359)	850,078	700,719	-	-
HIV Care Formula Grants	93.917*	GR-17-53009-01	4-1-17 - 3-31-18	\$ 1,130,600	-	160,778	282,825	(122,047)	-
PASSED THROUGH TENNESSEE DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES:									
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GR-15-46835	7-1-15 - 6-30-16	\$ 161,235	(37,196)	37,196	-	-	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GR-16-50349	7-1-16 - 6-30-17	\$ 161,235	-	136,553	157,796	(21,243)	-
PASSED THROUGH THE UNITED WAY OF METROPOLITAN NASHVILLE:									
HIV Care Formula Grants	93.917*	N/A	4-1-16 - 3-31-17	\$ 589,000	(28,587)	543,798	515,211	-	-
HIV Care Formula Grants	93.917*	N/A	4-1-17 - 3-31-18	\$ 592,919	-	47,251	93,447	(46,196)	-
HIV Care Formula Grants	93.917*	N/A	4-1-16 - 3-31-17	\$ 2,401,200	(467,822)	2,316,279	1,848,457	-	-
HIV Care Formula Grants	93.917*	N/A	4-1-17 - 3-31-18	\$ 3,352,000	-	75,385	197,484	(122,099)	-

(continued on following page)

NASHVILLE CARES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

Program Name	Federal CFDA Number	Contract Number	Award Period	Award Amount	(Accrued) Deferred Revenue 7/1/2016	Receipts	Expenditures	(Accrued) Deferred Revenue 6/30/2017	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	3-1-16 - 2-28-17	\$ 1,532,188	\$ (244,546)	\$ 1,466,116	\$ 1,221,570	\$ -	\$ -
HIV Emergency Relief Project Grants	93.914	N/A	3-1-17 - 2-28-18	\$ 1,561,642	-	271,325	505,446	(234,121)	-
HIV Emergency Relief Project Grants	93.914	N/A	3-1-16 - 2-28-17	\$ 260,691	(79,622)	227,948	148,326	-	-
HIV Emergency Relief Project Grants	93.914	N/A	3-1-17 - 2-28-18	\$ 467,348	-	48,272	91,347	(43,075)	-
HIV Emergency Relief Project Grants	93.914	N/A	3-1-16 - 2-28-17	\$ 47,717	(7,270)	42,066	34,796	-	-
HIV Emergency Relief Project Grants	93.914	N/A	3-1-17 - 2-28-18	\$ 81,539	-	16,616	25,303	(8,687)	-
HIV Emergency Relief Project Grants	93.914	N/A	3-1-16 - 2-28-17	\$ 116,312	(41,956)	110,534	68,578	-	-
HIV Emergency Relief Project Grants	93.914	N/A	3-1-17 - 2-28-18	\$ 55,237	-	4,961	5,914	(953)	-
PASSED THROUGH VANDERBILT UNIVERSITY:									
NIH Acquired Immunodeficiency Syndrome Research Loan Repayment Program	93.936	6P30AI110527-02	4-1-16 - 3-31-17	\$ 16,014	-	14,991	14,991	-	-
NIH Acquired Immunodeficiency Syndrome Research Loan Repayment Program	93.936	5P30AI110527-03	4-1-17 - 3-31-18	\$ 16,452	-	-	4,113	(4,113)	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					(1,351,090)	7,555,440	7,074,461	(870,111)	310,918
TOTAL OF EXPENDITURES OF FEDERAL AWARDS					\$ (1,615,930)	\$ 8,391,555	\$ 7,797,093	\$ (1,021,468)	\$ 310,918

*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, 2017. 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.

Summary of Federal Expenditures by CFDA Number:

14.241	\$ 678,928
14.231	43,704
93.939	798,854
93.940	359,284
93.917	3,638,143
93.959	157,796
93.936	19,104
93.914	2,101,280
	<u>\$ 7,797,093</u>

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.

OTHER REPORTS

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

Board of Directors
Nashville CARES
Nashville, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Nashville CARES (the "Agency"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, 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 2017-001 that we consider to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

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

NASHVILLE CARES' RESPONSE TO FINDINGS

The Agency's response to the findings identified in our audit are 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 over financial reporting 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 black ink that reads "Kraft CPAs PLLC". The signature is written in a cursive, flowing style.

Nashville, Tennessee
March 15, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors
Nashville CARES
Nashville, Tennessee

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Nashville CARES (the "Agency") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2017. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of 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, 2017.

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

The Agency's response to the internal control over compliance findings identified in our audit are 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
March 15, 2018

NASHVILLE CARES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

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

93.917

HIV Care Formula Grants

93.939

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, 2017

Section II - Financial Statement Findings

PRIOR YEAR

None were reported in the prior year.

CURRENT YEAR

2017-001 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 one of the Organization's bank accounts.

Context:

Bank reconciliations for one account had not been prepared for several 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 turnover in accounting staff.

Recommendation:

The Organization 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, 2017

Section II - Financial Statement Findings

CURRENT YEAR

2017-001 Reconciliation of bank accounts (continued)

Management's Response

Reconciliations of all bank accounts will be completed before the end of the month following the statement closing date. The Budget Manager's time is dedicated to completing the most complicated bank reconciliation and the Accounting Manager will complete the balance of the bank reconciliations. All reconciliations will be submitted to the Chief Financial and Administrative Officer by the established deadline. The Chief Financial and Administrative Officer will review and approve all bank reconciliations.

The process is in place, however, we are still actively reconciling prior months for the most complicated bank reconciliation. Our expectation is to have all bank accounts reconciled in a timely manner by June 30, 2018.

Section III - Federal Award Findings

PRIOR YEAR

None were reported in the prior year.

CURRENT YEAR

2017-001 Reconciliation of bank accounts

See Section II – item 2017-001 for a description of this finding as it relates to both internal control over financial reporting and federal awards.