

CARINGWORKS, INC.

**FINANCIAL STATEMENTS AND
COMPLIANCE REPORTS**

As of and for Year Ended December 31, 2018

And Report of Independent Auditor

CARINGWORKS, INC.

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR 1-2

FINANCIAL STATEMENTS

Statement of Financial Position 3
Statement of Activities 4
Statement of Functional Expenses 5
Statement of Cash Flows 6
Notes to the Financial Statements 7-14

COMPLIANCE SECTION

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* 15-16

Independent Auditor’s Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance 17-18

Schedule of Expenditures of Federal Awards..... 19
Notes to the Schedule of Expenditures of Federal Awards 20
Schedule of Findings and Questioned Costs..... 21

Report of Independent Auditor

To the Board of Directors
CaringWorks, Inc.
Decatur, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of CaringWorks, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 CaringWorks, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2018, CaringWorks, Inc.'s adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Information

Our audit was 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 (CFR) 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 September 4, 2019, on our consideration of CaringWorks, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CaringWorks, Inc.'s internal control over financial reporting and compliance.



Atlanta, Georgia
September 4, 2019

CARINGWORKS, INC.
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS

Cash and cash equivalent	\$ 802,282
Federal and state grants receivables, net of allowance of \$-0-	730,901
Other receivable, net	89,028
Prepaid expenses and other assets	<u>88,879</u>
Total Assets	<u>\$ 1,711,090</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payables and accrued expenses	<u>\$ 307,848</u>
Total Liabilities	<u>307,848</u>

Net Assets:

Without restrictions	1,367,578
With restrictions	<u>35,664</u>
Total Net Assets	<u>1,403,242</u>
Total Liabilities and Net Assets	<u>\$ 1,711,090</u>

CARINGWORKS, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenues:			
Federal and state grants	\$ 6,122,743	\$ -	\$ 6,122,743
Other grants and contributions	155,354	143,534	298,888
Rental income	295,586	-	295,586
Miscellaneous other income	195,126	-	195,126
Total Support and Revenues	6,768,809	143,534	6,912,343
Net assets released from restrictions	264,013	(264,013)	-
Total Support and Revenues and Net Assets Released from Restrictions	7,032,822	(120,479)	6,912,343
Expenses:			
Program services	5,987,809	-	5,987,809
Supporting services	671,656	-	671,656
Fundraising	145,545	-	145,545
Total Expenses	6,805,010	-	6,805,010
Changes in net assets	227,812	(120,479)	107,333
Net assets, beginning of year	1,139,766	156,143	1,295,909
Net assets, end of year	<u>\$ 1,367,578</u>	<u>\$ 35,664</u>	<u>\$ 1,403,242</u>

The accompanying notes to the financial statements are an integral part of this statement.

CARINGWORKS, INC.**STATEMENT OF FUNCTIONAL EXPENSES***YEAR ENDED DECEMBER 31, 2018*

	Supporting Services			Total Expenses
	Program Services	Management and General	Fundraising	
Personnel expenses	\$ 2,321,138	\$ 314,116	\$ 124,214	\$ 2,759,468
Rents and shelter	1,716,553	93,022	-	1,809,575
Consulting and contractors	1,101,479	7,919	-	1,109,398
Client assistance	196,053	324	-	196,377
Office supplies and expense	103,393	205,924	13,426	322,743
Program supplies	341,563	4,726	4,456	350,745
Telephone	27,257	16,276	25	43,557
Training and travel	24,807	9,792	2,049	36,648
Depreciation	-	799	-	799
Meals and entertainment	-	-	1,287	1,287
Repairs and maintenance	5,027	525	-	5,552
Computer supplies and expense	10,314	1,298	88	11,701
Taxes, insurance, and licenses	2,023	12,483	-	14,506
Bad debt expense	124,887	-	-	124,887
Other expenses	13,315	4,452	-	17,767
Total Expenses	<u>\$ 5,987,809</u>	<u>\$ 671,656</u>	<u>\$ 145,545</u>	<u>\$ 6,805,010</u>

The accompanying notes to the financial statements are an integral part of this statement.

CARINGWORKS, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities:

Changes in net assets	\$ 107,333
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	799
Changes in:	
Federal and state grants receivable	77,957
Other receivable, net	(54,067)
Prepaid expenses and other assets	(15,618)
Accounts payable and accrued expenses	121,744
Net cash provided by operating activities	<u>238,148</u>
Net increase in cash	238,148
Cash, beginning of year	564,134
Cash, end of year	<u><u>\$ 802,282</u></u>

Supplemental disclosure of cash flow information:

Cash paid for interest	<u><u>\$ 1,934</u></u>
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CARINGWORKS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 1—Nature of organization

CaringWorks, Inc. (the “Organization”) was formed as a not-for-profit organization under the laws of the state of Georgia in March 2002. The Organization was formed to provide social and supportive programs incorporated with residential housing to promote and facilitate stabilization, self-sufficiency, and community building among the individuals and families served.

Note 2—Summary of significant accounting policies

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”), as applicable to not-for-profit organizations.

Net Assets – These financial statements present net assets, revenue, and expenses based on existence of donor imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* represent those resources that are not subject to donor-imposed restrictions. The Organization’s board-designed funds represent the portion of expendable funds that are available for support of the Organization’s operations, at the discretion of the Organization’s board. The Organization had no board-designated net assets as of December 31, 2018.
- *Net assets with donor restrictions* represent those resources that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents – The Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Contributions and Pledges Receivable – Contributions are recognized when the donor makes a pledge to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, the net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible and unconditional pledges receivable, based on management’s analysis of specific pledges made. As of December 31, 2018, there was \$14,219 of pledge receivables. Additionally, management reviews accounts and pledge receivable to determine if an allowance is necessary for an account that has been deemed uncollectible. Accounts and pledge receivables are reported net of an allowance for doubtful accounts. The allowance is based on management’s estimate of the amount of receivable that would be collected based on periodic review of gaining of accounts receivable and subsequent collection activity. There was no allowance for doubtful pledge receivables at December 31, 2018.

CARINGWORKS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

Federal and State Grants Receivables – Federal and state grants receivables are reported net of allowance for doubtful accounts. Additionally, management reviews accounts and grants receivables to determine if an allowance is necessary for an account that has been deemed uncollectible. Federal and state grant receivables are reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivable that would be collected based on periodic review of aging of federal and state grants receivable and subsequent collection activity. There was no allowance for doubtful federal and state grants receivables at December 31, 2018.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect various amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Furniture and Equipment – Furniture and equipment are reported at cost with the exception of donated items, which are stated at fair market value at the date of donation. Expenditures for maintenance and repairs are expensed currently while renewals and betterments that materially extend the life of an asset are capitalized. The cost of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized. Depreciation for furniture and equipment is provided using the straight-line method over its estimated useful life, which is generally three years.

Functional Allocation of Expenses – The costs of providing program and supporting services have been reported on a functional basis in the accompanying statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

<u>Expense</u>	<u>Method of Allocation</u>
Personnel expenses	Time and effort
Rents and shelter	Square footage
Consulting and contractors	Full-time equivalent
Client assistance	Time and effort
Office supplies and expense	Time and effort
Program supplies	Time and effort
Telephone	Time and effort
Training and travel	Time and effort
Depreciation	Square footage
Meals and entertainment	Time and effort
Repairs and maintenance	Time and effort
Computer supplies and expense	Time and effort
Taxes, insurance, and licenses	Time and effort
Bad debt expense	Directly charged
Other expenses	Time and effort

CARINGWORKS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

Accordingly, certain costs have been allocated among the program and supporting services in reasonable ratios determined by management, as reported in the accompanying statement of functional expenses.

Revenue Recognition – Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets or an unconditional promise to give is received. Contributions and unconditional promises to give are recognized at fair value in the period received. Conditional promises to give are recognized in the period the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Rental Income – Rental income is recognized on a straight-line basis under which contractual rent increases are recognized equally over the lease term. Rental income recorded on the straight-line method in excess of the rents billed is recognized as other receivables.

Donated Goods and Services – Donated goods are recorded at their fair value at the time of contribution. Donated services are measured at their fair values as determined by management when they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated.

Fair Value of Financial Instruments – The Organization applies U.S. GAAP authoritative guidance for *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value and requires certain disclosures about fair value measurements used to measure fair value. The fair value hierarchy for inputs used in measuring fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization.

Income Tax Status – The Organization is exempt from income taxes pursuant to Section 501(a) as organizations defined in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Organization is subject to income taxes on revenue generated from other sources unrelated to its exempt purpose. Due to its tax exempt purpose, the Organization is not subject to income taxes and does not have any unrelated business income taxes for the year ended December 31, 2018. The Organization is required to file, and does file, information returns with the Internal Revenue Service (“IRS”) and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no other tax positions which must be considered for disclosure. Income tax returns filed by the Organization are subject to examination by the IRS for a period of three years.

Concentrations of Credit Risk – Financial instruments that potentially expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. Cash balances may at times exceed federally insured limits.

Adopted Accounting Pronouncement – During the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

CARINGWORKS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

Upcoming Accounting Pronouncements – In May 2014, the FASB issued ASU 2014-09. The amendments in this update create Topic 606, *Revenue from Contracts with Customers*, and supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of the ASU 2014-09 one year, making it effective for the year ending December 31, 2019. Management is evaluating the impact of this standard 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 statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the statement of activities. ASU 2016-02 is effective for the year ending December 31, 2020. 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. Management is evaluating the impact of this standard on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance in this ASU clarifies the accounting guidance for contributions received and contributions made. The amendments in this ASU will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for the year ending December 31, 2019. Management is evaluating the impact of this standard on the financial statements.

Note 3—Furniture and equipment

Furniture and equipment, net is comprised of the following at December 31, 2018:

Computer equipment	\$ 57,910
Furniture	11,712
Less accumulated depreciation	<u>(69,622)</u>
Furniture and equipment, net	<u>\$ -</u>

Depreciation expense for the year ended December 31, 2018 was \$799.

CARINGWORKS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 4—Net assets with donor restrictions

Net assets were released from restrictions by satisfying program restrictions. Net assets with donor restrictions consist of the following:

	December 31, 2017	Additions	Restrictions Accomplished	December 31, 2018
Fulton Dekalb Hospital Authority	\$ 10,000	\$ -	\$ (10,000)	\$ -
Capital Projects	8,510	-	-	8,510
Joseph B. Whitehead Foundation	83,333	-	(83,333)	-
Emergency Food and Shelter Program	7,000	23,800	(20,883)	9,917
Healthcare Georiga Foundation	47,300	-	(47,300)	-
Grants to Green	-	52,237	(40,000)	12,237
Emergency Shelter - Rockdale County	-	5,000	-	5,000
United Way	-	62,497	(62,497)	-
	<u>\$ 156,143</u>	<u>\$ 143,534</u>	<u>\$ (264,013)</u>	<u>\$ 35,664</u>

CARINGWORKS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 5—Summary of funding from federal and state grants

The Organization has received funding through the following grants to provide supportive services for the year ended December 31, 2018:

Federal Funding Program Name	Contract Number	Grants			Grants Receivable December 31, 2018
		Receivable December 31, 2017	Actual Received	Expenditures Billed	
U.S. Department of Housing and Urban Development	GA0254L4B001603	\$ 882	\$ 622,920	\$ 622,038	\$ -
U.S. Department of Housing and Urban Development	GA0254L4B001704	-	6,430	64,499	58,069
U.S. Department of Housing and Urban Development	GA0280L4B011602	61,708	231,024	169,316	-
U.S. Department of Housing and Urban Development	GA0280L4B011703	-	(651)	10,825	11,476
U.S. Department of Housing and Urban Development	GA0197L4B021605	-	348,107	348,107	-
U.S. Department of Housing and Urban Development	GA0197L4B021706	-	7,702	27,376	19,674
U.S. Department of Housing and Urban Development	GA0197L4B021504	(2,681)	-	-	(2,681)
U.S. Department of Housing and Urban Development	GA0153L4B001605	6,644	146,362	139,718	-
U.S. Department of Housing and Urban Development	GA0153L4B001706	-	5,282	53,204	47,922
Department of Behavioral Health and Development Disabilities	44100-906-0000094645	7,870	41,203	33,333	-
Department of Behavioral Health and Development Disabilities	44100-906-0000111060	-	40,000	46,667	6,667
Department of Behavioral Health and Development Disabilities	44100-906-0000052030	-	9,444	9,444	-
Department of Behavioral Health and Development Disabilities	44100-906-0000111433	-	9,444	9,444	-
City of Atlanta - HOPWA	250132511	25,522	50,522	25,000	-
City of Atlanta - HOPWA	250132457	-	-	60,000	60,000
City of Atlanta - CABHI	FC-9555	60,153	238,781	230,431	51,803
Department of Community Health - Medicaid	N/A	248,850	2,541,301	2,369,201	76,750
Department of Community Affairs - SPC	201616SSPC16C375	11,679	54,759	43,080	-
Department of Community Affairs - SPC	201616SSPC16C378	42,747	150,540	107,793	-
Department of Community Affairs - SPC	201616SSPC16C377	36,329	132,192	95,863	-
Department of Community Affairs - SPC	201616SSPC16C376	12,396	51,427	39,031	-
Department of Community Affairs - SPC	201717SSPC17C344	-	28,048	55,890	27,842
Department of Community Affairs - SPC	2017SPCSPC17C346	-	38,165	55,006	16,841
Department of Community Affairs - SPC	201717SSPC17C348	-	105,681	136,593	30,912
Department of Community Affairs - SPC	201717SSPC17C350	-	80,264	152,015	71,751
Department of Veterans Affairs	VA24716D0085	15,383	98,793	103,650	20,240
City of Atlanta - CDBG	220132387	24,250	43,467	45,217	26,000
Total Federal Funding		551,732	5,081,207	5,052,741	523,266

State Funding Program Name	Contract Number	Grants			Grants Receivable December 31, 2018
		Receivable December 31, 2017	Actual Received	Expenditures Billed	
Department of Community Affairs - Supportive Services	17C091	15,262	38,659	23,397	-
Department of Community Affairs - Supportive Services	18C101	-	-	12,500	12,500
Department of Community Affairs - Harm Reduction	17C090	23,603	36,319	12,710	(6)
Department of Community Affairs - ESG Supportive Services	18C103	-	12,916	22,916	10,000
Department of Behavioral Health and Development Disabilities	44100-906-0000094645	-	87,500	87,500	-
Department of Behavioral Health and Development Disabilities	44100-906-0000111060	-	111,667	122,500	10,833
Department of Behavioral Health & Developmental Disabilities	441009070000094997	101,772	493,518	391,746	-
Department of Behavioral Health & Developmental Disabilities	44100-906-0000111433	(5,748)	195,697	289,529	88,084
Department of Behavioral Health & Developmental Disabilities	4410090681626	21,561	241,235	305,898	86,224
Total State Funding		156,450	1,217,511	1,268,696	207,635
Total Federal and State Grants		\$ 708,182	\$ 6,298,718	\$ 6,321,437	\$ 730,901

CARINGWORKS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 6—Line of credit

The Organization obtained a line of credit with Wells Fargo Bank, NA up to a maximum amount of \$100,000. The line of credit matured on April 10, 2019 and was renewed until April 2020 (see Note 10). Pursuant to the terms of the agreement, interest shall accrue at the greater of a floating rate equal to index plus 2.75%, or the floor rate of 5%. During the year ended December 31, 2018, no draws were made on the line of credit.

Note 7—Effects of current economic conditions on contributions

The Organization funds most of its programs and operations through project-related income earned from providing supportive services for the various projects that the Organization sponsors. Currently, approximately 98% of the Organization's funding comes from public contributions and grants. The Organization is dependent upon its project-related income and the ability of the Organization's contributors and grantors to continue giving amounts comparable with prior years. Such contributions and grants may be dependent upon current and future overall economic conditions, and the continued deductibility for income tax purposes of contributions and grants made to the Organization. While the Organization's management believes the Organization has and can obtain the resources to continue its current and future programs; its ability to do so may be dependent on the above factors.

Note 8—Contingency

The Organization participates in a number of federally assisted grant programs which are subject to financial and compliance audits by federal agencies or their representatives. As such there exists a contingent liability for potential questionable costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit.

Note 9—Liquidity and availability of resources

Financial assets available for general, within one year of the financial position date, consist of the following:

Cash	\$ 802,282
Accounts and grants receivable	<u>730,901</u>
	1,533,183
Less amounts not available to be used for general expenditures within one year:	
Subject to donor purpose restrictions	<u>35,664</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 1,497,519</u></u>

The Organization is substantially supported by federal and state grants, donor-restricted contributions and undesignated rental income. Because donor restrictions require resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Therefore, some of the Organization's financial assets may not be available for general expenditure within one year.

As part of the Organization's liquidity management, it structures financial assets to be available for general expenditures, liabilities, and other obligations as they come due.

CARINGWORKS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 10—Subsequent events

The Organization evaluated subsequent events through September 4, 2019, the date the financial statements were available to be issued and concluded that no subsequent events, except as noted below, have occurred that would require recognition in the financial statements or disclosure to the financial statements.

In April 2019, the Organization renewed the line of credit with Wells Fargo Bank, NA up to a maximum amount of \$100,000 with the same terms. The line of credit matures in April 2020.

In July 2019, the Organization increased the line of credit with Wells Fargo Bank, NA up to a maximum amount of \$300,000. Pursuant to the terms of the agreement, interest shall accrue at a floating rate equal to the index plus 0.84%. The line of credit matures August 1, 2020.

COMPLIANCE SECTION

**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***

To the Board of Directors
CaringWorks, Inc.
Decatur, Georgia

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 CaringWorks, Inc. (the “Organization”) which comprise the statement of financial position as of December 31, 2018, 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 September 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’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 Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 Organization’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bednet LLP

Atlanta, Georgia
September 4, 2019

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
CaringWorks, Inc.
Decatur, Georgia

Report on Compliance for Each Major Federal Program

We have audited CaringWorks, Inc.’s (the “Organization”) 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 Organization’s major federal programs for the year ended December 31, 2018. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and 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 Organization’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 Organization’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 with each major federal program. However, our audit does not provide a legal determination of the Organization’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the 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 Organization's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirements 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 the attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Atlanta, Georgia
September 4, 2019

CARINGWORKS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2018

Federal Grantor/(Pass-Through Grantor)/Program Title	Federal CFDA Number	Grant/Contact Number	Federal Expenditures
<u>U.S. Department of Veterans Affairs</u>			
VA Supportive Services for Veteran Families Program	64.033	VA24716D0085	\$ 103,650
<u>U.S. Department of Housing and Urban Development</u>			
<i>Direct Programs:</i>			
Supportive Housing Program-SHAMROCK	14.235	GA0153L4B001605	139,718
Supportive Housing Program-SHAMROCK	14.235	GA0153L4B001706	53,204
Supportive Housing Program-M.O.V.E	14.235	GA0197L4B021605	348,107
Supportive Housing Program-M.O.V.E	14.235	GA0197L4B021706	27,376
Supportive Housing Program-RISE ATL	14.235	GA0254L4B001603	622,038
Supportive Housing Program-RISE ATL	14.235	GA0254L4B001704	64,499
Supportive Housing Program-Rockdale	14.235	GA0280L4B011602	169,316
Supportive Housing Program-Rockdale	14.235	GA0280L4B011703	10,825
			<u>1,435,083</u>
<i>Pass-Through from Georgia Department of Housing and Finance Authority</i>			
Shelter Plus Care	14.238	201616SSPC16C375	43,080
Shelter Plus Care	14.238	201616SSPC16C378	107,793
Shelter Plus Care	14.238	201616SSPC16C377	95,863
Shelter Plus Care	14.238	201616SSPC16C376	39,031
Shelter Plus Care	14.238	2017SPCSPC17C346	55,006
Shelter Plus Care	14.238	201717SSPC17C350	152,015
Shelter Plus Care	14.238	201717SSPC17C348	136,593
Shelter Plus Care	14.238	201717SSPC17C344	55,890
			<u>685,271</u>
<i>Pass-Through from City of Atlanta</i>			
Housing Opportunities for Persons with AIDS	14.241	250132457	60,000
Housing Opportunities for Persons with AIDS	14.241	250132511	25,000
			<u>85,000</u>
<i>Pass-Through from City of Atlanta</i>			
Community Development Block Grants/Entitlement Grants	14.218	220132387	26,000
Community Development Block Grants/Entitlement Grants	14.218	220132483	19,217
			<u>45,217</u>
Total U.S. Department of Housing and Urban Development			<u>2,250,571</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Pass-Through from Georgia Department of Community Health</i>			
Substance Abuse and Mental Health Services Administration	93.243	N/A	2,369,201
Substance Abuse and Mental Health Services Administration	93.243	FC-9555	230,431
			<u>2,599,632</u>
<i>Pass-Through from Georgia Department of Behavioral Health and Development Disabilities</i>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	441009060000094645	33,333
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100906000011100060	46,667
Block Grants for Prevention and Treatment of Substance Abuse	93.959	441009060000052030	9,444
Block Grants for Prevention and Treatment of Substance Abuse	93.959	441009060000111433	9,444
			<u>98,888</u>
Total U.S. Department of Health and Human Services			<u>2,698,520</u>
Total Expenditures of Federal Awards			\$ 5,052,741

CARINGWORKS, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2018

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of CaringWorks, Inc. (the “Organization”). The information in the Schedule is presented in accordance with the requirements 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”). Therefore, certain amounts presented in the Schedule may differ from amounts presented in or used in the presentation of the Organization’s financial statements.

Note 2—Summary of significant accounting policies

Basis of Accounting – Expenditures reported on the Schedule are reported on the accrual basis of accounting method. Under this basis, expenses are recognized when incurred. This method is consistent with the method used to prepare the basic financial statements. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate – The Organization has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3—Subrecipients

The Organization did not provide federal awards to subrecipients during the year ended December 31, 2018.

Note 4—Noncash awards

The Organization did not receive noncash federal awards during the year ended December 31, 2018.

Note 5—State funds

The state of Georgia (“State”) receives awards directly from the federal government and supplements those funds with its own funds. The State then awards a combination of federal and state funds to the Organization. If the Organization is unable to determine the federal portion, the entire amount is reported on the schedule as federal awards.

Note 6—Contingencies

These programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

CARINGWORKS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2018

Section I. Summary of Auditor's Results

Combined Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported under 2 CFR section 200.516(a)?

yes no

Major Programs

The programs tested as major programs of CaringWorks, Inc. included:

<u>CFDA #</u>	<u>Name of Federal Program</u>
93.243	US Department of Health and Human Services – Department of Community Health

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II: Findings in relation to the Audit of the Financial Statements

None

Section III: Federal Awards Findings and Questioned Costs

None