



**CARINGWORKS, INC.**

**FINANCIAL STATEMENTS AND COMPLIANCE  
REPORTS**

*As of and for Year Ended December 31, 2016*

*And Report of Independent Auditor*

**CARINGWORKS, INC.**

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## 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, 2016, and the related statements of activities and changes in net assets, 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, 2016, 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**

### **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 19, 2017, 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.

A handwritten signature in cursive script that reads "Cherry Bedwert LLP".

Atlanta, Georgia  
September 19, 2017

**CARINGWORKS, INC.**  
**STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2016

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**ASSETS**

Cash	\$	603,843
Federal and state grants receivables, net of allowance of \$79,075		723,506
Other receivable, net		139,164
Prepaid expenses		37,272
Furniture and equipment, net		5,098
<b>Total Current Assets</b>	<b>\$</b>	<b>1,508,883</b>

**LIABILITIES AND NET ASSETS**

Liabilities:

Accrued expenses	\$	251,104
<b>Total Liabilities</b>		<b>251,104</b>

Net Assets:

Unrestricted net assets		859,399
Temporarily restricted net assets		398,380
<b>Total Net Assets</b>		<b>1,257,779</b>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>1,508,883</b>

**CARINGWORKS, INC.****STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS***YEAR ENDED DECEMBER 31, 2016*

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	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Support and Revenues:			
Federal and state grants	\$ 5,275,507	\$ 345,618	\$ 5,621,125
Other grants and contributions	124,920	52,762	177,682
Rental income	241,804	-	241,804
Miscellaneous other income	18,517	-	18,517
Total support and revenues	5,660,748	398,380	6,059,128
Net assets released from restrictions	88,107	(88,107)	-
Total Support and Revenues and Net Assets Released from Restrictions	5,748,855	310,273	6,059,128
Program services	4,806,500	-	4,806,500
Supporting services	427,278	-	427,278
Fundraising	56,157	-	56,157
Total Expenses	5,289,935	-	5,289,935
Changes in net assets	458,920	310,273	769,193
Net assets, beginning of year	400,479	88,107	488,586
Net assets, end of year	<u>\$ 859,399</u>	<u>\$ 398,380</u>	<u>\$ 1,257,779</u>

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

**CARINGWORKS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2016*

	<b>Program Services</b>	<b>Supporting Services</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Personnel expenses	\$ 1,975,730	\$ 258,508	\$ 36,718	\$ 2,270,956
Rents and shelter	1,381,977	70,639	3,718	1,456,334
Consulting and contractors	679,358	-	6,440	685,798
Client assistance	398,021	-	-	398,021
Office supplies and expense	-	10,449	3,134	13,583
Dues and subscriptions	89,320	10,280	3,081	102,681
Program supplies	184,327	-	-	184,327
Accounting, audit and tax preparation	-	65,768	-	65,768
Telephone	29,228	3,359	1,008	33,595
Training and travel	20,319	2,336	700	23,355
Depreciation	16,176	1,859	558	18,593
Meals and entertainment	15,513	1,783	536	17,832
Repairs and maintenance	8,164	-	-	8,164
Computer supplies and expense	4,067	467	141	4,675
Taxes, insurance, and licenses	3,561	409	123	4,093
Other expenses	739	1,421	-	2,160
Total Expenses	<u>\$ 4,806,500</u>	<u>\$ 427,278</u>	<u>\$ 56,157</u>	<u>\$ 5,289,935</u>

**CARINGWORKS, INC.**  
**STATEMENT OF CASH FLOWS**

*YEAR ENDED DECEMBER 31, 2016*

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**Cash flows from operating activities:**

Changes in net assets	\$ 769,193
Adjustments to reconcile changes in net assets to net cash from operating activities:	
Depreciation	18,593
Changes in:	
Federal and state grants receivable	(241,245)
Other receivable, net	(139,164)
Prepaid expenses	(14,713)
Accrued expenses	151,901
Net cash from operating activities	<u>544,565</u>

**Cash flows from investing activity:**

Purchase of equipment	<u>(1,000)</u>
Net cash from investing activity	<u>(1,000)</u>

Net increase in cash	543,565
Cash, beginning of year	<u>60,278</u>
Cash, end of year	<u><u>\$ 603,843</u></u>



# CARINGWORKS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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### 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, 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:

- Unrestricted net assets represent those resources that are not subject to donor 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, 2016.
- Temporarily restricted net assets represent those resources that have been restricted by donors and grantors for specified program-related activities or for use in specific time periods. Net assets released from restrictions represent the satisfaction of the restricted purposes specified by the grantors.
- Permanently restricted net assets represent those resources the use of which has been permanently restricted by donors or grantors. The income from permanently restricted net assets is unrestricted. The Organization had no permanently restricted net assets as of December 31, 2016.

*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. 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. The Organization from time to time may have had amounts on deposit in excess of the insured limits.

*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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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, 2016, there was \$128,548 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, 2016.

# CARINGWORKS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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### 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. As of December 31, 2016, an allowance of \$79,075 has been recorded.

*Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 3 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 and changes in net assets. 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.

*Support and Revenue Recognition* – Grants and contributions to the Organization are recorded as revenue at the earlier of the receipt of an unconditional pledge or the receipt of cash or other assets. Contributions are considered available for unrestricted use, unless they are restricted by the donors on either a temporary or a permanent basis.

*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 deferred rents receivable.

*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 the U.S. generally accepted accounting principles 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 following methods and assumptions were used to estimate fair value of each class of financial instrument for which it is practical to estimate that value:

*Noncash and In-Kind Contributions* – Fair value is recorded based on actual amount of services or assets contributed. For contributed assets or services where actual amounts are not readily available, quoted prices for similar assets are utilized.

**CARINGWORKS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2016

**Note 2—Summary of significant accounting policies (continued)**

*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. Accordingly, no provision for federal income taxes has been made. The Organization has evaluated the effect of accounting principles generally accepted in the United States of America (“GAAP”) guidance on Accounting for Uncertainty in Income Taxes. Management believes that the Organization continues to satisfy the requirement of a tax-exempt organization and therefore had no uncertain income tax positions at December 31, 2016.

*New Accounting Pronouncements* – On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 provides for a variety of changes to the presentation of the financial statements of not-for-profit entities, including changing from three classes of net assets to two classes of net assets, enhancing disclosure requirements related to liquidity concerns and endowment management, a requirement to present expenses classified by both their nature and their function and other changes to presentation and disclosure. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and early adoption is permitted. The Organization is presently evaluating the impact of ASU 2016-14 on its financial statements.

**Note 3—Furniture and equipment**

Furniture and equipment, net, is comprised of the following at December 31, 2016:

Computer equipment	\$ 56,711
Furniture	11,712
Less accumulated depreciation	<u>(63,325)</u>
Net Furniture and Equipment	<u>\$ 5,098</u>

Depreciation expense for the year ended December 31, 2016, was \$18,593.

**Note 4—Temporarily restricted net assets**

Net assets were released from restrictions by satisfying program restrictions. Temporarily restricted net assets consist of the following:

	<u>December 31, 2015</u>	<u>Additions</u>	<u>Restriction Accomplished</u>	<u>December 31, 2016</u>
Fulton Dekalb Hospital Authority	\$ -	\$ 39,252	\$ 25,000	\$ 14,252
Rockdale County Hospital Authority	30,000	30,000	30,000	30,000
Tull Charitable Foundation	50,000	-	41,490	8,510
Joseph B. Whitehead Foundation	-	500,000	166,667	333,333
Emergency Food and Shelter Program	-	24,570	12,285	12,285
Other Grants	8,107	-	8,107	-
Total	<u>\$ 88,107</u>	<u>\$ 593,822</u>	<u>\$ 283,549</u>	<u>\$ 398,380</u>

**CARINGWORKS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2016

**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, 2016:

Federal Funding Program Name	Contract Number	Grants		Expenditures Billed	Grants	
		Receivable December 31, 2015	Actual Received		Receivable December 31, 2016	Receivable December 31, 2016
U.S Department of Housing and Urban Development	GA0254L4B001401	\$ 10,953	\$ (604,946)	\$ 593,993	\$ -	
U.S Department of Housing and Urban Development Supportive Housing Program	GA0254L4B001502	-	(53,308)	77,170	23,862	
Supportive Housing Program	GA0280L4B011400	6,444	(209,815)	203,371	-	
Supportive Housing Program	GA0280L4B011501	-	(21,330)	34,598	13,268	
Supportive Housing Program	GA0197L4B021403	7,496	(336,842)	329,346	-	
Supportive Housing Program	GA0197L4B021504	-	(30,719)	44,017	13,298	
Supportive Housing Program	GA0153L4B001403	6,554	(125,094)	118,540	-	
Supportive Housing Program	GA0153L4B001504	-	(60,472)	64,217	3,745	
Department of Behavioral Health and Development Disabilities	441931433010	7,288	(51,018)	43,730	-	
Department of Behavioral Health and Development Disabilities	4410090681626	-	(98,603)	123,984	25,381	
City of Atlanta - HOPWA	HP 07-58	30,000	(1,128)	-	28,872	
Department of Community Health - Medicaid	NA	81,314	(1,069,544)	1,194,308	206,078	
Department of Community Affairs - SPC	2014 14S SPC 14C569					
	2014 14S SPC 14C557					
	2014 14S SPC 14C567					
	2014 14S SPC 14C555	50,239	(283,362)	233,123	-	
Department of Community Affairs - SPC	201515SSPC15C450					
	201515SSPC15C462					
	201515SSPC15C448					
	201515SSPC15C460	-	(274,262)	382,000	107,738	
Department of Community Affairs ESG Grant	15E ER 15C030	32,611	(99,997)	67,386	-	
Department of Veterans Affairs	VA24716D0085	-	(45,750)	54,900	9,150	
<b>Total Federal Funding</b>		<b>\$ 232,899</b>	<b>\$ (3,366,190)</b>	<b>\$ 3,564,683</b>	<b>\$ 431,392</b>	

  

State Funding Program Name	Contract Number	Grants		Expenditures Billed	Grants	
		Receivable December 31, 2015	Actual Received		Receivable December 31, 2016	Receivable December 31, 2016
City of Atlanta - ESG	4211776	\$ 83,540	\$ (161,922)	\$ 91,580	\$ 13,198	
City of Atlanta - CORP	FC-6749	25,265	(25,265)	-	-	
Department of Community Affairs - Eagle Transitional	15E ER 15C031	30,531	(35,284)	4,753	-	
Department of Community Affairs - Eagle Transitional	2016HTFEMS16C025	-	(2,747)	20,000	17,253	
Department of Community Affairs - Supportive Services	15E ER 15C032	9,228	(10,772)	1,544	-	
Department of Community Affairs - Supportive Services	2016HTFEMS16C026	-	(6,460)	12,500	6,040	
Department of Community Affairs - Harm Reduction	15E ER 15C033	7,033	(35,752)	28,719	-	
Department of Community Affairs - Harm Reduction	2016HTFEMS16C025	-	(15,357)	24,545	9,188	
Department of Behavioral Health and Development Disabilities	441931433010	73,765	(445,291)	371,526	-	
Department of Behavioral Health and Development Disabilities	4410090681626	-	(150,410)	376,845	226,435	
City of Atlanta- CDBG	NA	-	-	20,000	20,000	
City of Atlanta - CDBG	NA	20,000	(40,000)	20,000	-	
<b>Total State Funding</b>		<b>\$ 249,362</b>	<b>\$ (929,260)</b>	<b>\$ 972,012</b>	<b>\$ 292,114</b>	
<b>Total Federal and State Grants</b>		<b>\$ 482,261</b>	<b>\$ (4,295,450)</b>	<b>\$ 4,536,695</b>	<b>\$ 723,506</b>	

**CARINGWORKS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2016*

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**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 matures on February 10, 2018. 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, 2016, 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—Concentration of credit risk**

The Organization maintains its cash balance in one financial institution. At times, certain deposits may exceed the insured limits; however, the Organization has not experienced any losses with respect to its deposit balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances.

**Note 9—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 10—Subsequent events**

The Organization evaluated subsequent events through September 19, 2017, the date the financial statements were available to be issued.

## **COMPLIANCE SECTION**

**Report of Independent Auditor 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 statements of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, 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 19, 2017.

**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.

Handwritten signature in cursive script that reads "Cheryl Bednet LLP".

Atlanta, Georgia  
September 19, 2017



## **Report of Independent Auditor 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, 2016. 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 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, 2016.

## 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 19, 2017

**CARINGWORKS, INC.****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED DECEMBER 31, 2016

<b>Federal Grantor/(Pass-through Grantor)/Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant/Contact Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Veterans Affairs</b>			
U.S. Department of Veterans Affairs	64.033	VA24716D0085	\$ 54,900
<b>U.S. Department of Housing and Urban Development</b>			
<b>Direct Programs:</b>			
Supportive Housing Program-SHAMROCK	14.235	GA0153L4B001403	\$ 118,540
Supportive Housing Program-SHAMROCK	14.235	GA0153L4B001504	64,217
Supportive Housing Program-M.O.V.E	14.235	GA0197L4B021403	329,346
Supportive Housing Program-M.O.V.E	14.235	GA0197L4B021504	44,017
Supportive Housing Program-RISE ATL	14.235	GA0254L4B001401	593,993
Supportive Housing Program-RISE ATL	14.235	GA0254L4B001502	77,170
Supportive Housing Program-Rockdale	14.235	GA0280L4B011400	203,371
Supportive Housing Program-Rockdale	14.235	GA0280L4B011501	34,598
<b>Passed Through:</b>			
Shelter Plus Care			
Pass-through Georgia Department of Housing and Finance Authority	14.238	2014 14S SPC 14C569 2014 14S SPC 14C557 2014 14S SPC 14C567 2014 14S SPC 14C555	233,123
Pass-through Georgia Department of Housing and Finance Authority	14.238	201515SSPC15C450 201515SSPC15C462 201515SSPC15C448 201515SSPC15C460	382,000
Emergency Shelter Grant			
Pass-through Georgia Department of Housing and Finance Authority	14.231	15E ER 15C030	67,386
Total U.S. Department of Housing and Urban Development			<u>\$ 2,147,761</u>
<b>U.S. Department of Health and Human Services</b>			
<b>Direct Programs:</b>			
Department of Community Health	93.243	none	\$ 1,194,308
<b>Passed Through:</b>			
Blocked Grants for Prevention and Treatment of Substance Abuse			
Passed through Department of Behavioral Health and Development Disabilities	93.959	GA0153L4B001403	43,730
Passed through Department of Behavioral Health and Development Disabilities	93.959	4410090681626	123,984
Total U.S. Department of Health and Human Services			<u>1,362,022</u>
Total Expenditures of Federal Awards			<u>\$ 3,564,683</u>

## **CARINGWORKS, INC.**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*YEAR ENDED DECEMBER 31, 2016*

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#### **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”) and 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”).

#### **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.

*Cost Principles* – The cost principles applicable to the expenditures on the Schedule include OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, for grant awards made before December 26, 2014, or Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, for grant awards made after December 26, 2014. These principles identify certain types of expenditures that are not allowable or are limited as to reimbursement.

*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, 2016.

#### **Note 4—Noncash awards**

The Organization did not receive noncash federal awards during the year ended December 31, 2016.

#### **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 of expenditures of 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, 2016

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**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>
14.235	US Department of Housing and Urban Development – Supportive Housing Program
93.243	US Department of Health Services – Substance Abuse and Mental Health Services Administration

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