



CARINGWORKS, INC.

**FINANCIAL STATEMENTS
AND COMPLIANCE REPORTS**

As of and for Year Ended December 31, 2017

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, 2017, 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, 2017, 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 June 28, 2018, 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 black ink that reads "Cherry Bednet LLP". The signature is written in a cursive, flowing style.

Atlanta, Georgia
June 28, 2018

CARINGWORKS, INC.
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

ASSETS

Cash and cash equivalent	\$	564,134
Federal and state grants receivables, net of allowance of \$33,518		808,858
Other receivable, net		34,961
Prepaid expenses		73,261
Furniture and equipment, net		799
Total Assets	\$	1,482,013

LIABILITIES AND NET ASSETS

Liabilities:

Accrued expenses	\$	186,104
Total Liabilities		186,104

Net Assets:

Unrestricted		1,139,766
Temporarily		156,143
Total Net Assets		1,295,909
Total Liabilities and Net Assets	\$	1,482,013

CARINGWORKS, INC.**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS***YEAR ENDED DECEMBER 31, 2017*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues:			
Federal and state grants	\$ 5,832,310	\$ 130,633	\$ 5,962,943
Other grants and contributions	12,708	25,510	38,218
Rental income	276,604	-	276,604
Miscellaneous other income	179,019	-	179,019
Total Support and Revenues	6,300,641	156,143	6,456,784
Net assets released from restrictions	398,380	(398,380)	-
Total Support and Revenues and Net Assets Released from Restrictions	6,699,021	(242,237)	6,456,784
Program services	5,737,913	-	5,737,913
Supporting services	582,174	-	582,174
Fundraising	98,567	-	98,567
Total Expenses	6,418,654	-	6,418,654
Changes in net assets	280,367	(242,237)	38,130
Net assets, beginning of year	859,399	398,380	1,257,779
Net assets, end of year	<u>\$ 1,139,766</u>	<u>\$ 156,143</u>	<u>\$ 1,295,909</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, 2017

	Program Services	Supporting Services		Total Expenses
		Management & General	Fundraising	
Personnel expenses	\$ 2,081,685	\$ 272,377	\$ 38,730	\$ 2,392,792
Rents and shelter	1,550,905	79,274	4,173	1,634,352
Consulting and contractors	1,149,524	-	10,896	1,160,420
Client assistance	178,301	-	-	178,301
Office supplies and expense	-	130,966	39,275	170,241
Program supplies	229,508	-	-	229,508
Accounting, audit and tax preparation	-	81,244	-	81,244
Telephone	32,224	3,704	1,111	37,039
Training and travel	82,034	9,429	2,829	94,292
Depreciation	8,240	947	284	9,471
Meals and entertainment	23,294	2,678	803	26,775
Repairs and maintenance	7,986	-	-	7,986
Computer supplies and expense	8,554	983	295	9,832
Taxes, insurance, and licenses	4,976	572	171	5,719
Bad debt expense	374,385	-	-	374,385
Other expenses	6,297	-	-	6,297
Total Expenses	\$ 5,737,913	\$ 582,174	\$ 98,567	\$ 6,418,654

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

CARINGWORKS, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

Cash flows from operating activities:

Changes in net assets	\$ 38,130
Adjustments to reconcile changes in net assets to net cash from operating activities:	
Depreciation	9,471
Changes in:	
Federal and state grants receivable	(85,352)
Other receivable, net	104,203
Prepaid expenses	(35,989)
Accrued expenses	(65,000)
Net cash from operating activities	<u>(34,537)</u>

Cash flows from investing activity:

Purchase of equipment	<u>(5,172)</u>
Net cash from investing activity	<u>(5,172)</u>

Net decrease in cash	(39,709)
Cash, beginning of year	<u>603,843</u>
Cash, end of year	<u><u>\$ 564,134</u></u>

CARINGWORKS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 (“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:

- 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, 2017.
- 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 Organization had no permanently restricted net assets as of December 31, 2017.

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, 2017, there was \$38,428 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, 2017.

CARINGWORKS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017, an allowance of \$33,518 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 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 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, 2017

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 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, 2017.

Note 3—Furniture and equipment

Furniture and equipment, net, is comprised of the following at December 31, 2017:

Computer equipment	\$	57,910
Furniture		11,712
Less accumulated depreciation		<u>(68,823)</u>
Furniture and Equipment, Net	\$	<u>799</u>

Depreciation expense for the year ended December 31, 2017, was \$9,471.

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, 2016</u>	<u>Additions</u>	<u>Restrictions Accomplished</u>	<u>December 31, 2017</u>
Fulton Dekalb Hospital Authority	\$ 14,252	\$ 10,000	\$ (14,252)	\$ 10,000
Rockdale County Hospital Authority	30,000	-	(30,000)	-
Tull Charitable Foundation	8,510	-	-	8,510
Joseph B. Whitehead Foundation	333,333	-	(250,000)	83,333
Emergency Food and Shelter Program	12,285	28,000	(33,285)	7,000
Healthcare Georgia Foundation	-	50,000	(2,700)	47,300
Total	<u>\$ 398,380</u>	<u>\$ 88,000</u>	<u>\$ (330,237)</u>	<u>\$ 156,143</u>

CARINGWORKS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017:

Federal Funding Program Name	Contract Number	Grants Receivable		Expenditures Billed	Grants Receivable December 31, 2017
		December 31, 2016	Actual Received		
U.S Department of Housing and Urban Development	GA0254L4B001502	\$ 23,862	\$ 623,314	\$ 599,452	\$ -
U.S Department of Housing and Urban Development	GA0254L4B001603	-	54,584	55,466	882
U.S Department of Housing and Urban Development	GA0280L4B011501	13,268	176,249	162,981	-
U.S Department of Housing and Urban Development	GA0280L4B011602	-	-	61,708	61,708
U.S Department of Housing and Urban Development	GA0197L4B021605	13,298	346,757	333,459	-
U.S Department of Housing and Urban Development	GA0197L4B021504	-	29,369	26,688	(2,681)
U.S Department of Housing and Urban Development	GA0153L4B001504	3,745	127,676	123,931	-
U.S Department of Housing and Urban Development	GA0153L4B001605	-	41,786	48,430	6,644
Department of Behavioral Health and Development Disabilities	44100906000094645	-	41,574	49,444	7,870
Department of Behavioral Health and Development Disabilities	4410090681626	25,381	78,463	53,082	-
City of Atlanta - HOPWA	250132266	28,872	74,001	70,651	25,522
City of Atlanta - HOPWA	250132457	-	-	18,455	18,455
City of Atlanta - CABHI	FC-9555	-	52,370	112,523	60,153
Department of Community Health - Medicaid	N/A	206,078	1,659,251	1,702,023	248,850
Department of Community Affairs - SPC	201515SSPC15C450	15,832	56,299	40,467	-
	201515SSPC15C462	40,831	144,229	103,398	-
	201515SSPC15C448	36,424	126,735	90,311	-
	201515SSPC15C460	14,651	58,304	43,653	-
Department of Community Affairs - SPC	201616SSPC16C375	-	32,962	44,641	11,679
	201616SSPC16C378	-	109,552	152,299	42,747
	201616SSPC16C377	-	99,572	135,901	36,329
	201616SSPC16C376	-	34,316	46,712	12,396
Department of Veterans Affairs	VA24716D0085	9,150	29,400	20,250	-
Department of Veterans Affairs	VA24716D0085	-	45,312	60,695	15,383
Total Federal Funding		\$ 431,392	\$ 4,042,075	\$ 4,156,620	\$ 545,937

State Funding Program Name	Contract Number	Grants Receivable		Expenditures Billed	Grants Receivable December 31, 2017
		December 31, 2016	Actual Received		
City of Atlanta - ESG	4211776	\$ 13,198	\$ -	\$ (13,198)	\$ -
Department of Community Affairs - Eagle Transitional	FC-6749	17,253	36,284	19,031	-
Department of Community Affairs - Supportive Services	16C026	6,040	18,540	12,500	-
Department of Community Affairs - Supportive Services	17C091	-	-	15,262	15,262
Department of Community Affairs - Harm Reduction	16C025	9,188	34,643	25,455	-
Department of Community Affairs - Harm Reduction	17C090	-	-	23,603	23,603
Department of Behavioral Health & Developmental Disabilities	441009070000094997	-	308,483	486,728	178,245
Department of Behavioral Health & Developmental Disabilities	4410090681626	226,435	779,316	574,442	21,561
City of Atlanta- CDBG	N/A	20,000	25,000	5,000	-
City of Atlanta - CDBG	N/A	-	-	24,250	24,250
Total State Funding		292,114	1,202,266	1,173,073	262,921
Total Federal and State Grants		\$ 723,506	\$ 5,244,341	\$ 5,329,693	\$ 808,858

CARINGWORKS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2019. 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, 2017, 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 June 28, 2018, 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.

On May 1, 2018, the Organization entered into a letter of intent to acquire certain real estate and grant assets as well as assume related liabilities from Urban Residential Development Corporation. The Organization is currently in the due diligence assessment phase and will make a determination on whether or not to move forward with the acquisition. The Organization expects for this to be completed in 2018.

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, 2017, 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 June 28, 2018.

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 "Cherry Bednet LLP".

Atlanta, Georgia
June 28, 2018

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, 2017. 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, 2017.

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.

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

Atlanta, Georgia
June 28, 2018

CARINGWORKS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2017

Federal Grantor/(Pass-through Grantor)/Program Title	Federal CFDA Number	Grant/Contact Number	Federal Expenditures
U.S. Department of Veterans Affairs			
U.S. Department of Veterans Affairs	64.033	VA24716D0085	\$ 20,250
U.S. Department of Veterans Affairs	64.033	VA24716D0085	60,695
			80,945
U.S. Department of Housing and Urban Development			
Direct Programs:			
Supportive Housing Program-SHAMROCK	14.235	GA0153L4B001504	123,931
Supportive Housing Program-SHAMROCK	14.235	GA0153L4B001605	48,430
Supportive Housing Program-M.O.V.E	14.235	GA0197L4B021504	26,688
Supportive Housing Program-M.O.V.E	14.235	GA0197L4B021605	333,459
Supportive Housing Program-RISE ATL	14.235	GA0254L4B001502	599,452
Supportive Housing Program-RISE ATL	14.235	GA0254L4B001603	55,466
Supportive Housing Program-Rockdale	14.235	GA0280L4B011501	162,981
Supportive Housing Program-Rockdale	14.235	GA0280L4B011602	61,708
Passed Through:			
Shelter Plus Care			
Pass-through Georgia Department of Housing and Finance Authority	14.238	201515SSPC15C450	40,467
		201515SSPC15C462	103,398
		201515SSPC15C448	90,311
		201515SSPC15C460	43,653
Pass-through Georgia Department of Housing and Finance Authority	14.238	201616SSPC16C375	44,641
		201616SSPC16C378	152,299
		201616SSPC16C377	135,901
		201616SSPC16C376	46,712
Housing Opportunities for Persons with AIDS Program			
Pass-through City of Atlanta	14.241	250132266	70,651
	15.241	250132457	18,455
Total U.S. Department of Housing and Urban Development			2,158,603
U.S. Department of Health and Human Services			
Direct Programs:			
Department of Community Health	93.243	N/A	1,702,023
Substance Abuse and Mental Helath Services Administration	93.243	FC-9555	112,523
Passed Through:			
Blocked Grants for Prevention and Treatment of Substance Abuse			
Passed through Department of Behavioral Health and Development	93.959	441009060000094645	
Disabilities			49,444
Passed through Department of Behavioral Health and Development	93.959	4410090681626	
Disabilities			53,082
Total U.S. Department of Health and Human Services			1,917,072
Total Expenditures of Federal Awards			\$ 4,156,620

CARINGWORKS, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2017

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, 2017.

Note 4—Noncash awards

The Organization did not receive noncash federal awards during the year ended December 31, 2017.

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, 2017

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

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