CARINGWORKS, INC.

FINANCIAL STATEMENTS
AND COMPLIANCE REPORTS

As of and for Year Ended December 31, 2019

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

CARINGWORKS, INC.

TABLE OF CONTENTS

Cherry Bekaert LLP
CPAs & Advisors

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) (the "Organization"), which comprise the statement of financial position as of December 31, 2019, 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 the Organization as of December 31, 2019, 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 16, 2020, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Atlanta, Georgia
September 16, 2020

CARINGWORKS, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

ASSETS		
Cash and cash equivalent	$	891,384
Federal and state grants receivable, net		1,084,339
Accounts receivable, net		21,897
Pledges receivable, net		2,205
Amounts due from affiliate		35,288
Prepaid expenses and other assets		47,570
Property and equipment, net		25,243
Total Assets	$	2,107,926
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payables and accrued expenses	$	258,238
Amounts due to affiliate		118,783
Deferred revenue		26,909
Total Liabilities		403,930
Net Assets:		
Without donor restrictions		1,703,996
Total Net Assets		1,703,996
Total Liabilities and Net Assets	$	2,107,926

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

CARINGWORKS, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Federal and state grants	$ -	$ 7,755,346	$ 7,755,346
Contributions and private grants	28,993	139,554	168,547
Client rental fees	352,325	-	352,325
Contract income	96,102	-	96,102
Management fees	10,440	-	10,440
Miscellaneous income	5,963	-	5,963
Total Support and Revenues	493,823	7,894,900	8,388,723
Net assets released from restrictions	7,930,564	(7,930,564)	-
Total Support and Revenues and Net Assets Released from Restrictions	8,424,387	(35,664)	8,388,723
Expenses:			
Program services	7,251,169	-	7,251,169
Supporting services	679,613	-	679,613
Fundraising	157,187	-	157,187
Total Expenses	8,087,969	-	8,087,969
Changes in net assets	336,418	(35,664)	300,754
Net assets, beginning of year	1,367,578	35,664	1,403,242
Net assets, end of year	$ 1,703,996	$ -	$ 1,703,996

CARINGWORKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	$ 2,526,351	$ 355,990	$ 128,214	$ 3,010,555
Transitional and supportive housing	2,189,914	-	-	2,189,914
Professional and consulting fees	1,537,666	70,038	16,945	1,624,649
Program supplies and other	416,516	-	-	416,516
Client assistance	202,211	-	-	202,211
Office supplies, printing and other	85,794	87,654	3,515	176,963
Bad debt expense	146,793	-	-	146,793
Occupancy	94,407	57,349	-	151,756
Insurance and taxes	2,650	79,623	10	82,283
Other	21,504	17,152	500	39,156
Training and travel	26,409	9,484	2,605	38,498
Development	526	2,323	5,398	8,247
Depreciation	428	-	-	428
Total Expenses	$ 7,251,169	$ 679,613	$ 157,187	$ 8,087,969

CARINGWORKS, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

Cash flows from operating activities:		
Changes in net assets	$	300,754
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation		428
Provision for bad debt		146,793
Changes in:		
Federal and state grants receivable, net		(565,231)
Accounts receivable, net		67,131
Pledges receivable, net		(2,205)
Prepaid expenses and other assets		41,309
Accounts payable and accrued expenses		(1,085)
Amounts due to/from affiliate		99,970
Deferred revenue		26,909
Net cash provided by operating activities		114,773
Cash flows from investing activities:		
Purchases of property and equipment		(25,671)
Net cash used in investing activities		(25,671)
Net increase in cash		89,102
Cash and cash equivalent, beginning of year		802,282
Cash and cash equivalente, end of year	$	891,384

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

Note 1—Description of the 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.

The Organization funds most of its programs and operations through federal and state grant funds, contributions and project/management income. Currently, approximately 94% of the Organization's funding comes from federal and state grants and contributions and private grants. The Organization's continued operations is dependent upon its continued receipt of this support.

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. These net assets may be used at the discretion of the Organization's management and the board of directors.
>
> *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. The Organization had no net asset with donor restrictions as of December 31, 2019.

When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Expenses are reported as decreases in net assets without donor restrictions.

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 cash, other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions, including unconditional promises to give, that are expected to be collected within one year are recognized as revenue in the period received and reported, at net realizable value. An allowance for uncollectible pledges receivable is provided based upon management's judgment, including such factors as the age of the receivable, creditworthiness of parties, historical collection experience and type of contribution. At December 31, 2019 management does not believe an allowance for doubtful pledges receivable is necessary.

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. The allowance is based on management's estimate of the amount of receivable that would be collected based on periodic review such factors as of age of federal and state grants receivable historical collection experience and subsequent collection activity. At December 31, 2019, an allowance for doubtful accounts is not considered necessary since all federal and state grants receivables are considered collectible by management.

Accounts Receivable - Accounts receivables are reported net of an allowance for doubtful accounts. An allowance for uncollectible accounts receivable is provided based upon management's judgment, including such factors as the age of the receivable, creditworthiness of parties, historical collection experience and type of revenue. At December 31, 2019, an allowance for doubtful accounts is not considered necessary since all receivables are considered collectible by management.

Revenue Recognition – The Organization recognizes revenue in accordance with Accounting Standards Codification ("ASC") 606, the core principle of which is that an organization should recognize 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 to receive in exchange for those goods and services. To achieve this core principle, five basic criteria must be met before revenue can be recognized: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as the Organization satisfies a performance obligation.

The Organization accounts for revenues when both parties to the contract have approved the contract, the rights and obligations of the parties are identified, payment terms are identified, and collectability of consideration is probable. Payment terms and services offered vary by client.

The Organization has one primary sources of exchange revenue which is professional services recognized as contract income and management fees in the statement of activities. Professional services relating to therapy, health and wellness services and for management services is recognized at a point in time. While the Organization believes the performance obligation is completed as the performance obligation is transferred to the customer, generally over time, these professional services are generally for short time periods. Based on this, the Organization determined that performance over time approximates point in time recognition. In certain instances, the Organization qualifies for the right-to-invoice practical expedient, which results in revenue recognition at the time the Organization has the right to invoice for the work performed.

Client Rental Fees – 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.

Deferred Revenue – Deferred revenue represents income which have been received, but for which the prescribed services have not yet been performed as estimated by management. This revenue will be recognized as income when the related services are provided.

Property and Equipment – These assets are stated at cost at date of acquisition for assets purchased or fair value at date of donation in the case of gifts, less an allowance for accumulated depreciation. Acquisitions of property and equipment in excess of $5,000 are capitalized. Expenditures for new construction, major renewals, and replacements are capitalized. Expenditures for maintenance, repairs and minor renewals, and replacements of minor non-depreciable equipment are charged to expense as incurred. Depreciation is provided primarily using the straight-line method over the estimated useful lives of the related assets, which is generally three to ten years.

Note 2—Summary of significant accounting policies (continued)

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

Certain costs within the following expense lines were allocated on the following basis

Expense	Method of Allocation
Salaries and benefits	Time and effort
Occupancy	Square footage
Insurance and taxes	Ratio of functional salaries expense as percentage of total

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 U.S. GAAP guidance on Accounting for Uncertainty in Income Taxes. Management believes that the Organization continues to satisfy the requirements of a tax-exempt organization and, therefore, had no uncertain income tax positions at December 31, 2019.

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. At December 31, 2019, balances in excess of federally insured limits were approximately $511,000.

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.

Adopted Accounting Pronouncements – On January 1, 2019, Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This standard, along with all subsequent amendments to the ASU (collectively, ASC 606), creates a single framework for recognizing revenue from contracts with customers that fall within its scope of exchange transactions. The adoption of this ASU did not have a material impact on the financial statements of the Organization.

On January 1, 2019, the Organization adopted 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. The adoption of this ASU did not have a material impact on the financial statements of the Organization.

Note 2—Summary of significant accounting policies (continued)

Upcoming Accounting Pronouncements – In February 2016, 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, 2022. 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.

Note 3—Liquidity and availability of resources

The table below represents financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year at December 31, 2019:

Cash and cash equivalents	$	891,384
Federal and state grant receivables, net		1,084,339
Accounts receivable, net		21,897
Pledges receivable, net		2,205
Amounts due from affiliate		35,288
Financial assets available to meet general expenditures within one year	$	2,035,113

The Organization is substantially supported by federal and state grants and donor restricted contributions. 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. In addition, to help manage unanticipated liquidity needs the Organization has a committed line of credit of $300,000 which it can draw upon; see Note 5.

Note 4—Property and equipment, net

Property and equipment, net is comprised of the following at December 31, 2019:

Computer equipment	$	57,910
Vehicles		25,671
Furniture		11,712
		95,293
Less accumulated depreciation		(70,050)
Property and equipment, net	$	25,243

Depreciation expense for the year ended December 31, 2019 was $428.

Note 5—Line of credit

The Organization entered into an agreement with a bank for a secured line of credit in the amount of $300,000. The line of credit matures on September 30, 2020. Pursuant to the terms of the agreement, interest shall accrue at the Prime Rate plus 0.840%. During the year ended December 31, 2019, no draws were made on the line of credit. The line of credit agreement provides for certain reporting requirements.

Note 6—Net assets released

Net assets were released during the year from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows for the year ended December 31, 2019:

Satisfaction of purpose restrictions:		
Federal and state grants	$	7,755,346
Grants to green initiative		64,473
Community family housing		43,543
Emergency food and shelter services		25,067
ASPIRE program		20,000
Health education sessions, health screenings and medication		13,625
Capital projects		8,510
Total net assets released for satisfaction of purpose restrictions	$	7,930,564

Note 7—Commitments and contingencies

Operating Leases – The Organization has two leases for office space in Decatur, Georgia and Conyers, Georgia, expiring in August 2021 and November 2021. Rent expense was $121,378 for the year ended December 31, 2019.

Future minimum lease payments required under these leases at December 31, 2019 are as follows:

2020	$	107,799
2021		89,620
	$	197,419

Note 8—Related party

Progressive Hope House Inc. ("PHHI") is a substance abuse residential rehab facility in Atlanta, Georgia that provides treatment to men with drug addiction and other substance abuse problems. PHHI is affiliated with the Organization through management and board oversight.

The Organization utilizes the residential and treatment services provided by PHHI to fulfill some of its programmatic requirements. Total amounts paid to PHHI for these services was $362,872 for the year ended December 31, 2019. Total amounts due to PHHI at December 31, 2019 were $118,783.

PHHI reimburses the Organization for certain payroll and benefits costs on behalf of the PHHI. The amounts paid by the Organization on PHHI's behalf during the year ended December 31, 2019 was $51,045. Total reimbursements outstanding from PHHI at December 31, 2019 were $25,771.

The Organization also has an agreement with PHHI to perform monthly property management services related to its sole facility. The agreement is effective through September 30, 2021. Total management fees received by the Organization from PHHI during the year ended December 31, 2019 were $10,440. Total management fees due from PHHI at December 31, 2019 were $1,740.

At December 31, 2019, PHHI had other amounts due to the Organization of $7,777 related to miscellaneous charges paid by the Organization on PHHI's behalf.

Note 9—Subsequent events

The Organization's management evaluated subsequent events through September 16, 2020, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure, except as disclosed below.

As a result of the spread of COVID-19, in early 2020, economic uncertainties have arisen, which are likely to negatively impact operating results of the Organization. Other financial impacts could occur though such potential impact is unknown at this time.

In accordance with Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), signed March 27, 2020, the Organization applied for and received a Paycheck Protection Program loan on May 3, 2020, totaling $496,850. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans including accrued interest to the extent the Organization incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following closing of the loan. Any portion of the loan that is not forgiven has a term of two years with an interest rate of 1%.

COMPLIANCE SECTION

Cherry Bekaert LLP
CPAs & Advisors

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, 2019, 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 16, 2020.

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. We did identify certain deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

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 Bekaert LLP

Atlanta, Georgia
September 16, 2020

Cherry Bekaert LLP
CPAs & Advisors

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, 2019. 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, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-003, 2019-004, and 2019-005. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Cherry Bekaert LLP

Atlanta, Georgia
September 16, 2020

Federal Grantor/(Pass-Through Grantor)/Program Title	Federal CFDA Number	Grant/Contact Number	Federal Expenditures
U.S. Department of Veterans Affairs			
VA Supportive Services for Veteran Families Program	64.033	VA24716D0085	$ 75,625
VA Supportive Services for Veteran Families Program	64.033	36C24720C0006	59,488
Total U.S Department of Veterans Affairs			135,113
U.S. Department of Housing and Urban Development			
Direct Programs:			
Continuum of Care Program	14.267	GA0153L4B001706	145,445
Continuum of Care Program	14.267	GA0153L4B001807	49,620
Continuum of Care Program	14.267	GA0197L4B021706	368,051
Continuum of Care Program	14.267	GA0197L4B021807	30,305
Continuum of Care Program	14.267	GA0349L4B001700	78,339
Continuum of Care Program	14.267	GA0254L4B001704	638,754
Continuum of Care Program	14.267	GA0254L4B001805	54,240
Continuum of Care Program	14.267	GA0280L4B011703	226,856
Continuum of Care Program	14.267	GA0280L4B011804	21,751
Subtotal Continuum of Care Program - Direct			1,613,361
Pass-Through from Georgia Department of Housing and Finance Authority			
Continuum of Care Program	14.267	201717SSPC17C344	49,310
Continuum of Care Program	14.267	2017SPCSPC17C346	50,876
Continuum of Care Program	14.267	201717SSPC17C348	125,720
Continuum of Care Program	14.267	201717SSPC17C350	131,244
Continuum of Care Program	14.267	201717SSPC17C422	120,443
Continuum of Care Program	14.267	201717SSPC17C424	31,377
Continuum of Care Program	14.267	201818SSPC18C352	302,608
Continuum of Care Program	14.267	201818SSPC18C354	117,054
Continuum of Care Program	14.267	201818SSPC18C432	23,224
Continuum of Care Program	14.267	201818SSPC18C434	101,680
Subtotal Continuum of Care Program - Pass-Through			1,053,536
Total Continuum of Care Program			2,666,897
Pass-Through from City of Atlanta			
Housing Opportunities for Persons with AIDS	14.241	250132457	56,439
Housing Opportunities for Persons with AIDS	14.241	250132511	196,962
			253,401
Pass-Through from City of Atlanta			
Community Development Block Grants/Entitlement Grants	14.218	220132483	30,208
Community Development Block Grants/Entitlement Grants	14.218	220132553	22,042
			52,250
Pass-Through from St. Jude's Recovery Center, Inc.			
Supportive Housing Program	14.235	GA0198L4B081807	42,469
			42,469
Total U.S. Department of Housing and Urban Development			3,015,017

U.S. Department of Health and Human Services			
Pass-Through from Georgia Department of Community Health			
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	N/A	$ 2,498,851
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	FC-9555	205,797
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1H79SM080640-01	280,660
			2,985,308
Pass-Through from Georgia Department of Behavioral Health and Development Disabilities			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	441009060000111060	54,167
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4410090600000127547	75,833
Block Grants for Prevention and Treatment of Substance Abuse	93.959	441002630262019018	9,444
Block Grants for Prevention and Treatment of Substance Abuse	93.959	441002630262020018	9,444
			148,888
Total U.S. Department of Health and Human Services			3,134,196
Total Expenditures of Federal Awards			**$ 6,284,326**

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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable.

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

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, Cost 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.

Awards Passed Through to Subrecipients – There were no awards passed through to subrecipients by the Organization for the year ended December 31, 2019.

Noncash Awards – The Organization did not receive noncash federal awards during the year ended December 31, 2019.

Note 3—Catalog of Federal Domestic Assistance ("CFDA") numbers

All programs included in the Schedule are presented by Federal agency and major subdivision within the Federal agency. Pass-through awards have been presented by pass-through entity and Federal identification number or pass-through entity identification number, when available.

Note 4—Contingencies

Federal and state programs are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect the Organization's continued participation in specific programs. The amount, if any, of expenditures which 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, 2019

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	X	no
• Significant deficiency(ies) identified?	X	yes	______	none reported
Noncompliance material to financial statements noted?	______	yes	X	no

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?	______	yes	X	no
• Significant deficiency(ies) identified?	______	yes	X	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)?	X	yes	______	no

Major Programs

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

CFDA #	Name of Federal Program
14.267	Continuum of Care Program

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

Auditee qualified as low-risk auditee?	X	yes	______	no

Section II: Financial statement findings

Finding 2019-001 Monthly and Year-End Closing Process

Condition: The year-end closing process for the year ended December 31, 2019 extended over a prolonged period because important routine monthly/quarterly accounting procedures were not performed during the fiscal year. The results were delays in producing closing entries, trial balances, schedules, reconciliations, account analysis, the schedule of expenditures of federal awards and other financial reports needed by management and the auditors.

Criteria: A well designed and operating accounting process ensures transactions are recorded timely and properly; resulting in financial information and data that is timely and available to management to aid in the decision-making process.

Cause: Reconciliations were performed infrequently and were not documented resulting in the need for significant corrections at year end.

Effect: Errors could be made and not detected on a timely basis and therefore monthly and/or quarterly financial statements may contain errors.

Recommendation: We recommend that reconciliations between the general ledger and subsidiary ledgers/accounting records be performed regularly; either monthly or quarterly depending on the nature of the account. Reconciling items identified should also be investigated timely and adjustments recorded to properly state balances in the general ledger. Evidence of performance and review of these monthly reconciliations should also be maintained.

In addition, we believe that the year-end closing could proceed more quickly and efficiently if a year-end closing schedule is developed that indicates who will perform each procedure and when completion of each procedure is due and accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. This would also allow for monitoring of due dates to ensure all deadlines are met.

Management Response: The Organization concurs with this finding.

Corrective Action Plan: See attached management's corrective action plan.

Section II: Financial statement findings (continued)

Finding 2019-002 Documentation of Significant Accounting and Grant Management Policies and Procedures

Condition: The Organization has certain accounting and grant management policies and procedures that are either outdated or not documented.

Criteria: A well devised and documented accounting policies and procedures helps to ensure all transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. The Organization is also required to document its internal controls related to compliance with the Uniform Guidance.

Cause: The Organization has limited resources and has not yet inventoried all policies to determine which ones require updating.

Effect: Errors could be made and not detected, there could be duplicated or omitted procedures, and other situations that can result in inaccurate or untimely recording of accounting and other transactions. The Organization may not be in compliance with the requirements of the Uniform Guidance.

Recommendation: We recommend the Organization establish a plan to inventory, review, and update its general and federal grant accounting policies and procedures over a period of time; assigning priority to the most significant processes. The benefits will be:

- Establishment of consistent practices;
- Improve accounting and bookkeeping responsibilities;
- Reduce the likelihood of errors and assist in the preparation of timely and accurate monthly financial statements;
- Aid in review by management for adherence to the Organization’s policies;
- Aid in the training of new personnel;
- Provide the Organization with a source of information when there is personnel transition; and
- Aid in the documentation of its compliance with Uniform Guidance requirements.

Management Response: The Organization concurs with this finding.

Corrective Action Plan: See attached management’s corrective action plan.

Section III: Federal Awards Findings and Questioned Costs

Finding 2019-003 – Lack of Supporting Documentation for Certain Costs

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Continuum of Care Program
CFDA: # 14.267
Compliance Requirement: Period of Availability

Condition: The Organization was unable to provide supporting documentation of costs and allocations of costs charged to the grant that agreed to grant expenditures selected for testing from the general ledger.

Criteria: In accordance with 2 CFR 200.430, charges to Federal awards for compensation must be supported by a system of internal control which provides for reasonable assurance that costs are allocated appropriately and accurately and 2 CFR 200.403, charges to Federal awards must be adequately documented.

Cause: The Organization did not maintain documentation to support the basis for cost allocations charged to the grant. The Organization did not maintain documentation to support certain costs charged to the grant.

Context: Out of a population of 945 grant expenditure transactions, a sample of 25 transactions was selected for testing. The Organization did not have adequate supporting documentation for cost allocations for 5 of the 25 transactions that were selected for testing. The Organization did not have any supporting documentation for 1 of the 25 transactions that was selected for testing.

Effect: The Organization could have charged costs or allocated costs to a funding source inaccurately and the documentation of the allocation methodology may not be available to support the costs allocated to the grant.

Questioned cost: $13,872 know errors; extrapolated error and likely questioned costs totaled $217,153

Recommendation: The Organization should review and document its process and methodology for ensuring that all allocated cost are equitably allocated between programs. In addition, documentation should be maintained to support any allocations of costs and costs charged to the grant.

Management Response: The Organization concurs with this finding.

Corrective Action Plan: See attached management's corrective action plan.

Finding 2019-004 –Lack of Evidence of Management Review of Certain Costs

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Continuum of Care Program
CFDA: # 14.267
Compliance Requirement: Period of Availability – Internal Control

Condition: There were 5 instances where the Organization could not provide documentation to evidence management review and approval of allocations of payroll and benefit costs charged to the grant. There was one instance where the Organization could not provide documentation to evidence management review and approval of a credit card transaction charged to the grant.

Criteria: Under the Uniform Guidance, specifically 2 CFR 200.303, the Organization must establish and maintain effective internal controls over federal awards that provides reasonable assurance that the Organization is managing federals award in compliance with federal statues, regulations and the terms and conditions of the federal award.

Cause: The Organization did not have internal control policies in place that required a designated member of management to perform and document their review and approval of the allocation of payroll and benefit costs to the federal grant. The credit card transaction that was not reviewed by management was merely an oversight.

Context: Out of a population of 945 grant expenditure transactions, a sample of 25 transactions was selected for testing. The Organization did not have any documentation to support that management had reviewed and approved 6 of the 25 transactions selected for testing.

Effect: The Organization could have noncompliance such as costs charged to the incorrect periods, incorrect costs allocations and lack of review of period of performance.

Questioned cost: None

Recommendation: The Organization should review its allocation methodology for cost charged to federal grants and include the requirement that an independent review by management should be performed and documented. Evidence of this management review should also be maintained.

Management Response: The Organization concurs with this finding.

Corrective Action Plan: See attached management's corrective action plan.

Section III: Federal Awards Findings and Questioned Costs (continued)

Finding 2019-005 –Lack of evidence of rent reasonableness tests

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Continuum of Care Program
CFDA: # 14.267
Compliance Requirement: Special Tests and Provisions – Reasonable Rental Rates

Condition: The Organization did not maintain documentation to evidence the rent reasonableness tests it performed or produce evidence of a waiver of these requirements from the granting agency.

Criteria: File documentation relating to rent reasonableness test was not maintained for certain participants selected for testing.

Cause: The Organization took over a grant from another organization mid-way through the year. Management's understanding was that this requirement was waived due to the nature of the transfer of the grant. There was no documentation maintained evidencing this communication from the granting agency. Adequate controls were not in place to ensure file documentation was complete.

Context: Out of a population of 574 program rent transactions a sample of 25 transactions was selected for testing. The Organization did not have supporting documentation for 9 of the 25 transactions that were selected for testing.

Effect: File documentation supporting rent reasonableness was not complete.

Questioned cost: None

Recommendation: The Organization should review and document its system of internal control which provides for reasonable assurance that required documentation to support compliance requirements under the grant agreement is maintained. Any waiver of those requirements should be received in writing and maintained.

Management Response: The Organization concurs with this finding.

Corrective Action Plan: See attached management's corrective action plan.

Section IV: Prior Year Findings

None

CaringWorks

HOUSING · HELP · HOPE

FY 2019 Financial Audit
MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN
September 16, 2020

Finding 2019-001 Month and Year-End Closing Process

CaringWorks hired a new CFO in June 2020 and is in the process of hiring a new Accounting Manager. New procedures and checklists have been developed to ensure monthly reconciliations are complete and the month-end process occurs timely. Documentation of the performance of the reconciliations and monthly reports will be maintained going forward.

Contact Person: Chris Hester, CFO
Telephone: 404-371-1230 ext. 240
E-mail: chrishester@caringworksinc.org

Finding 2019-002 Documentation of Significant Accounting and Grant Management Policies and Procedures

The new CFO plans to review all accounting and grant related policies and procedures and update these as necessary. This will be completed with the assistance and input of the new Accounting Manager once that position is filled. These policies and procedures will be continuously reviewed and updated as needed and reviewed with the outside auditing firm annually.

Contact Person: Chris Hester, CFO
Telephone: 404-371-1230 ext. 240
E-mail: chrishester@caringworksinc.org

Finding 2019-003 – Lack of Supporting Documentation for Certain Costs

The new CFO will work with the new Accounting Manager and other CaringWorks staff to develop new procedures for allocating and tracking expenses to all grants and projects. The new procedures will ensure that documentation for the allocations and expenses are maintained and easily accessible.

Contact Person: Chris Hester, CFO
Telephone: 404-371-1230 ext. 240
E-mail: chrishester@caringworksinc.org

Finding 2019-004 – Lack of Evidence of Management Review of Certain Costs

The new CFO will review and update all internal control processes with special attention to compliance and documentation of review and approval for Federal awards.

Contact Person: Chris Hester, CFO
Telephone: 404-371-1230 ext. 240
E-mail: chrishester@caringworksinc.org

Finding 2019-005 – Lack of Evidence of Rent Reasonableness Tests

The new CFO will review the processes and procedures related to rent reasonableness with the Director of Operations to make sure that it is comprehensive and that it is followed in all programs.

Contact Person: Chris Hester, CFO
Telephone: 404-371-1230 ext. 240
E-mail: chrishester@caringworksinc.org