

CARINGWORKS, INC.

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
CaringWorks, Inc.**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of CaringWorks, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary 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 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 schedule of expenditures of federal awards 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 the date of this report 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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.

Prior Year Financial Information

The prior year comparative information and the financial statements of the Organization as of December 31, 2021 and for the year then ended were audited by other auditors, whose report dated August 31, 2022, expressed an unqualified opinion on those financial statements.

Smith and Howard

May 8, 2023

CARINGWORKS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 434,917	\$ 1,030,925
Federal and state grants receivable, net	1,336,082	1,129,798
Accounts receivable, net	30,084	34,575
Contributions receivable, net	7,288	27,427
Prepaid expenses and other assets	98,567	280,962
Right-of-use assets	613,935	-
Property and equipment, net	<u>85,131</u>	<u>64,894</u>
Total Assets	<u>\$ 2,606,004</u>	<u>\$ 2,568,581</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payables and accrued expenses	339,427	241,518
Amounts due to affiliate, net	20,509	24,826
Deferred revenue	-	14,400
Operating lease liabilities	<u>639,586</u>	<u>-</u>
Total Liabilities	<u>999,522</u>	<u>280,744</u>
Net Assets		
Without donor restrictions	1,250,920	1,824,537
With donor restrictions	<u>355,562</u>	<u>463,300</u>
Total Net Assets	<u>1,606,482</u>	<u>2,287,837</u>
Total Liabilities and Net Assets	<u>\$ 2,606,004</u>	<u>\$ 2,568,581</u>

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

CARINGWORKS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Federal and state grants	\$ -	\$ 10,259,546	\$ 10,259,546
Contributions and private grants	156,762	394,400	551,162
Client rental fees	551,582	-	551,582
Contract income	104,268	-	104,268
Management fees	13,440	-	13,440
Miscellaneous income	<u>135</u>	<u>-</u>	<u>135</u>
Total Support and Revenue	826,187	10,653,946	11,480,133
Net assets released from restrictions	<u>10,761,684</u>	<u>(10,761,684)</u>	<u>-</u>
Total Support and Revenue and Net Assets Released from Restrictions	<u>11,587,871</u>	<u>(107,738)</u>	<u>11,480,133</u>
Expenses			
Program services	10,894,484	-	10,894,484
Management and general	945,897	-	945,897
Fundraising	<u>321,107</u>	<u>-</u>	<u>321,107</u>
Total Expenses	<u>12,161,488</u>	<u>-</u>	<u>12,161,488</u>
Change in Net Assets	(573,617)	(107,738)	(681,355)
Net Assets, Beginning of Year	<u>1,824,537</u>	<u>463,300</u>	<u>2,287,837</u>
Net Assets, End of Year	<u>\$ 1,250,920</u>	<u>\$ 355,562</u>	<u>\$ 1,606,482</u>

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

CARINGWORKS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Federal and state grants	\$ -	\$ 9,053,062	\$ 9,053,062
Contributions and private grants	363,266	487,725	850,991
Paycheck Protection Program grant	-	496,850	496,850
Client rental fees	527,910	-	527,910
Contract income	142,768	-	142,768
Management fees	13,440	-	13,440
Miscellaneous income	<u>1,245</u>	<u>-</u>	<u>1,245</u>
 Total Support and Revenue	 1,048,629	 10,037,637	 11,086,266
 Net assets released from restrictions:	 <u>9,624,337</u>	 <u>(9,624,337)</u>	 <u>-</u>
 Total support and revenue and net assets released from restrictions	 <u>10,672,966</u>	 <u>413,300</u>	 <u>11,086,266</u>
 Expenses:			
Program services	9,247,051	-	9,247,051
Management and general	894,595	-	894,595
Fundraising	<u>224,506</u>	<u>-</u>	<u>224,506</u>
 Total Expenses	 <u>10,366,152</u>	 <u>-</u>	 <u>10,366,152</u>
 Change in Net Assets	 306,814	 413,300	 720,114
 Net Assets, Beginning of Year	 <u>1,517,723</u>	 <u>50,000</u>	 <u>1,567,723</u>
 Net Assets, End of Year	 <u>\$ 1,824,537</u>	 <u>\$ 463,300</u>	 <u>\$ 2,287,837</u>

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

CARINGWORKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and benefits	\$ 3,976,240	\$ 520,829	\$ 130,141	\$ 4,627,210
Transitional and supportive housing	4,165,281	111	-	4,165,392
Professional and consulting fees	1,578,050	170,272	156,268	1,904,590
Program supplies	596,874	150	-	597,024
Office supplies and printing	165,651	132,933	4,307	302,891
Occupancy	131,074	74,407	-	205,481
Insurance and taxes	127,776	18,881	4,519	151,176
Client assistance	104,521	-	-	104,521
Training and travel	29,402	17,474	27	46,903
Development	-	-	24,845	24,845
Depreciation	18,012	-	-	18,012
Other	1,603	10,840	1,000	13,443
Total Expenses	\$ 10,894,484	\$ 945,897	\$ 321,107	\$ 12,161,488

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

CARINGWORKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and benefits	\$ 3,290,668	\$ 505,410	\$ 137,655	\$ 3,933,733
Transitional and supportive housing	3,619,035	-	-	3,619,035
Professional and consulting fees	1,330,395	134,306	73,107	1,537,808
Program supplies	467,196	207	-	467,403
Office supplies and printing	98,379	133,258	4,039	235,676
Occupancy	93,884	81,576	-	175,460
Insurance and taxes	99,934	24,847	4,386	129,167
Bad debt	100,000	-	-	100,000
Client assistance	55,289	-	-	55,289
Training and travel	20,980	14,341	177	35,498
Depreciation	6,856	-	-	6,856
Development	-	-	5,142	5,142
Other	64,435	650	-	65,085
Total Expenses	\$ 9,247,051	\$ 894,595	\$ 224,506	\$ 10,366,152

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

CARINGWORKS, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (681,355)	\$ 720,114
Adjustments to reconcile change in net assets to net cash provided (required) by operating activities:		
Depreciation	18,012	6,856
Provision for bad debt	-	100,000
Lease expense	153,793	-
Payments on operating lease liabilities	(128,142)	-
Changes in operating assets and liabilities:		
Federal and state grants receivable, net	(206,284)	(29,751)
Accounts receivable, net	4,491	(16,941)
Contributions receivable, net	20,139	(11,177)
Prepaid expenses and other assets	182,395	(209,567)
Accounts payable and accrued expenses	97,909	65,338
Amounts due to affiliate, net	(4,317)	3,511
Paycheck Protection Program deferred revenue	-	(496,850)
Deferred revenue	(14,400)	900
	(557,759)	132,433
Net Cash Provided (Required) by Operating Activities		
Cash Flows from Investing Activities:		
Purchases of property and equipment	(38,249)	(51,641)
	(38,249)	(51,641)
Net Cash Required by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(596,008)	80,792
Cash and Cash Equivalents at Beginning of Year	1,030,925	950,133
Cash and Cash Equivalents at End of Year	\$ 434,917	\$ 1,030,925

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

On January 1, 2022, the Organization adopted Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). The adoption of this ASU resulted in the recognition of operating lease liabilities and corresponding right-of-use assets of \$758,173, based on the present value of future minimum rental payments of these leases.

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

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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.

The Organization funds most of its programs and operations through federal and state grant funds, contributions, and project/management income. For the years ended December 31, 2022 and 2021, 94% of the Organization's funding came 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

The Organization's net assets and its support and revenues are classified based on existence or absence of donor-imposed restrictions using the following net asset classifications:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor, or certain grantor, imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no donor restricted net assets of a perpetual nature at December 31, 2022 or 2021.

Fair Value of Financial Instruments

Cash and cash equivalents, accounts receivable, prepaid expenses, other current assets, accounts payable, and accrued expenses are carried at amounts which approximate their fair value due to the short-term nature of these instruments.

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, federal and state grants receivable, and accounts receivable. All cash and highly liquid investments with maturities of three months or less are considered cash equivalents. At times, cash and cash equivalent balances may exceed federally insured amounts. Management believes that cash and other investments are maintained at financial institutions with high credit ratings that would, accordingly, carry a low risk of potential loss. Management continually monitors receivable balances and believes that its exposure to credit risk is limited. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

Contributions Revenue and 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. At December 31, 2022 and 2021, all contributions receivable were expected to be received within one year. 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, 2022 and 2021, management does not believe an allowance for doubtful contributions receivable is necessary.

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 age of federal and state grants receivable historical collection experience and subsequent collection activity. At December 31, 2022 and 2021, 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, 2022 and 2021, an allowance for doubtful accounts is not considered necessary since all receivables are considered collectible by management.

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Organization's primary source of exchange revenue is professional services, which is recognized as contract income and management fees in the accompanying statement of activities. Revenues from professional services, including therapy, health and wellness, and management services, are recognized at the point in time when the services are rendered. All amounts are billed at the time of service and recognized based on the expected rate for the particular service provided. Deferred revenue represents amounts 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.

Client rental fees are 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.

A portion of the Organization's revenue is derived from cost-reimbursable federal, state and other contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets (two to five years). Total depreciation expense was \$18,012 and \$6,856 for the years ended December 31, 2022 and 2021, respectively. Acquisitions of property and equipment in excess of \$5,000 are capitalized. Expenditures for maintenance, repairs and minor renewals, and replacements of minor non-depreciable equipment are charged to expense as incurred.

Functional Allocation of Expenses

The costs of providing program and other activities are summarized on a functional basis in the accompanying statement of activities. The accompanying statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated between the Organization's program and supporting services. Such allocations are determined by management on an equitable basis. Examples of expenses that are allocated include salaries and benefits, which are allocated on the basis of time and effort as well as occupancy costs, which are allocated on a square footage basis. Other costs, such as insurance and taxes, are allocated based on the ratio of the functional category's salaries expense as a percentage of total salaries expense as a best estimate of actual usage.

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code (the “Code”), as an organization described in Section 501(c)(3) of the Code of 1986, as amended. Accordingly, the Organization is exempt from federal income taxes except for any unrelated business income which is subject to unrelated business income tax.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In the normal course of business, the Organization is subject to examination by the federal and state taxing authorities. In general, the Organization is no longer subject to tax examinations for the tax years ending before December 31, 2019.

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 to the financial statements. Accordingly, actual results could differ from those estimates.

Adoption of New Accounting Policies

Effective January 1, 2022, the Organization adopted Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. The objective of this ASU is to increase transparency and comparability in financial reporting by requiring statement of financial position recognition of leases and note disclosure of certain information about lease arrangements. The Organization adopted ASU 2016-02 using the modified retrospective method. This method allows the standard to be applied retrospectively through a cumulative catch-up adjustment to net assets recognized upon adoption, if necessary. Adoption of ASU 2016-02 did not result in changes to the Organization’s beginning net assets balance. Additionally, upon adoption, the Organization elected to use risk-free discount rate, an option only available to private entities, when calculating the present value of future lease payments and has made an accounting policy election to not recognize lease assets and lease liabilities for leases with terms of 12 months or less.

Adoption of this ASU resulted in the Organization recording right-of-use (“ROU”) assets and corresponding operating lease liabilities of \$758,173 on January 1, 2022 which represents the present value of future lease payments on the Organization’s leases further detailed in Note 5 at the date of adoption. Operating lease expense continues to be recorded on a straight-line basis throughout the lease term and the ROU assets and corresponding operating lease liabilities are reduced as lease payments are made.

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications were made to prior year balances to conform with the current year presentation.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

NOTE 3 – LIQUIDITY, AVAILABILITY AND REALIZATION OF ASSETS

The Organization is substantially supported by grants and public donations. Additionally, a significant amount of contributions with donor restrictions are received each year for various programs. As a donor's restrictions require funds to be used in a particular manner or in a future period, the Organization maintains those restricted funds so that they are available to meet those responsibilities as they are required to be met. Accordingly, related financial assets are not available to the Organization for its general expenditures. The Organization considers contributions with donor restrictions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures may be incurred for program, administrative, or fundraising purposes.

The Organization's financial assets (reduced by amounts not available for general use because of donor-imposed restrictions) available within one year after this date to satisfy liabilities at this date and for future general expenditures within one year as of December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 434,917	\$ 1,030,925
Federal and state grant receivables, net	1,336,082	1,129,798
Accounts receivable, net	30,084	34,575
Contributions receivable, net	<u>7,288</u>	<u>27,427</u>
Total financial assets	1,808,371	2,222,725
Less amounts not available for general expenditures within one year:		
Subject to purpose and time restrictions	<u>(355,562)</u>	<u>(463,300)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,452,809</u>	<u>\$ 1,759,425</u>

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 3 – LIQUIDITY, AVAILABILITY AND REALIZATION OF ASSETS (Continued)

The financial statements have been prepared on a going concern basis, which assumes that the Organization will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. The Organization believes it has the assets to operate into the foreseeable future. The Organization has developed a cash flow projection which is dependent on the Organization being able to continue to receive funding for their programs from federal and state agencies as well as raise contributions. The Organization’s plan also includes reduction in operating expenses. As discussed in Note 6, the Organization has also increased their line of credit in 2023 from \$300,000 to \$500,000 if additional liquidity is needed to bridge any gap.

NOTE 4 – PROPERTY AND EQUIPMENT, NET

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

	<u>2022</u>	<u>2021</u>
Computer equipment	\$ 57,910	\$ 57,910
Vehicles	115,561	77,312
Furniture	<u>11,712</u>	<u>11,712</u>
	185,183	146,934
Less: accumulated depreciation	<u>(100,052)</u>	<u>(82,040)</u>
	<u>\$ 85,131</u>	<u>\$ 64,894</u>

NOTE 5 – OPERATING LEASE COMMITMENTS

The Organization leases office space under arrangements that qualify as non-cancelable operating leases through 2027. As detailed in Note 2, the Organization adopted ASU 2016-02, *Leases*, on January 1, 2022 and has recorded ROU assets and operating lease liabilities which represents the present value of future lease payments. The weighted average remaining lease term is four years and the weighted average discount rate is 1.44%, based on treasury rates effective January 2022 applied to each lease in accordance with their remaining lease terms.

At December 31, 2022, the Organization’s operating lease liabilities were comprised of the following:

Gross operating lease liabilities	\$ 658,764
Less: imputed interest	<u>(19,178)</u>
Present value of operating lease liabilities	<u>\$ 639,586</u>

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 5 – OPERATING LEASE COMMITMENTS (Continued)

The schedule below summarizes the future minimum annual lease obligations for the years ending December 31:

2023	\$	160,993
2024		165,813
2025		171,740
2026		136,303
2027		23,915
		<u>658,764</u>
Less: imputed interest		<u>(19,178)</u>
	\$	<u><u>639,586</u></u>

NOTE 6 – LINE OF CREDIT

The Organization has a line of credit with a financial institution which provides for maximum borrowings of \$500,000 through January 1, 2024, the maturity date. Effective January 2023, the borrowing limit increased from \$300,000 to \$500,000. The interest rate on the line of credit is equal to the prime rate plus 0.84%, with a floor of 5.00% (an effective rate of 8.34% at December 31, 2022). The line of credit had no outstanding balance at December 31, 2022 and 2021.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions are comprised of funds the Organization has received subject to donor-imposed restrictions consisting of the following at December 31:

	<u>2022</u>	<u>2021</u>
Capacity building	\$ 285,285	\$ 350,000
MOVE Dekalb	70,208	25,000
TeleHealth infrastructure	69	-
Hope House aftercare	-	62,725
Hope House cardiovascular health	-	25,575
Total net assets with donor restrictions	<u><u>\$ 355,562</u></u>	<u><u>\$ 463,300</u></u>

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7 – NET ASSETS WITH DONOR RESTRICTION (Continued)

Net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by the donors as follow during the years ended December 31:

	<u>2022</u>	<u>2021</u>
Federal and state grants	\$ 10,259,546	\$ 9,053,062
Capacity building	264,715	-
Program activities	237,423	24,425
PPP qualified expenses	-	496,850
Community resilience training	-	50,000
Total net assets released from donor restrictions	<u>\$ 10,761,684</u>	<u>\$ 9,624,337</u>

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 were \$305,094 and \$302,445 for the years ended December 31, 2022 and 2021, respectively. Total amounts due to PHHI at December 31, 2022 and 2021 were \$29,956 and \$24,826, respectively.

PHHI reimburses the Organization for certain payroll and benefits costs and certain other costs on behalf of PHHI. The amounts paid by the Organization on PHHI’s behalf during the years ended December 31, 2022 and 2021 were \$80,793 and \$73,599, respectively. At December 31, 2022 and 2021, amounts due from PHHI to the Organization related to these costs were \$9,447 and \$7,634, respectively.

The Organization also has an agreement with PHHI to perform monthly property management services related to its sole facility. Total management fees received by the Organization from PHHI during the years ended December 31, 2022 and 2021 were \$13,440.

During the years ended December 31, 2022 and 2021, the Organization received contributions totaling \$1,000 and \$363,797, respectively, for which PHHI was the named beneficiary. These amounts were treated as pass-through funds.

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 9 – CORONAVIRUS AID, RELIEF AND ECONOMIC SECURITY ACT

In April 2020, the Organization obtained a Small Business Administration loan under the Paycheck Protection Program (“PPP”) totaling \$496,850. The PPP loan bore interest at 1.00% and may have required repayment under certain circumstances. Under the terms of the Coronavirus Aid, Relief, and Economic Securities Act, the Organization received forgiveness for the loan in April 2021 and has recognized the proceeds as grant revenue in 2021 in the accompanying statement of activities.

SUPPLEMENTAL INFORMATION

**REPORTS AND OTHER SCHEDULES AND INFORMATION
AS REQUIRED BY THE UNIFORM GUIDANCE**

YEAR ENDED DECEMBER 31, 2022

CARINGWORKS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Veterans Affairs			
Direct			
VA Supportive Services for Veteran Families Program (CEB)	64.033		\$ 167,003
VA Supportive Services for Veteran Families Program (GPD)	64.024		<u>158,153</u>
Total U.S. Department of Veterans Affairs			<u>325,156</u>
U.S. Department of Housing and Urban Development			
Direct			
Continuum of Care Program	14.267		157,194
Continuum of Care Program	14.267		63,638
Continuum of Care Program	14.267		364,059
Continuum of Care Program	14.267		35,569
Continuum of Care Program	14.267		72,567
Continuum of Care Program	14.267		194,511
Continuum of Care Program	14.267		718,652
Continuum of Care Program	14.267		70,165
Continuum of Care Program	14.267		457,819
Continuum of Care Program	14.267		41,268
Continuum of Care Program	14.267		245,301
Continuum of Care Program	14.267		<u>84,763</u>
			<u>2,505,506</u>
Passed through Georgia Department of Housing and Finance Authority			
Continuum of Care Program	14.267	GA0243L4B002008	90,015
Continuum of Care Program	14.267	GA0243L4B002109	122,754
Continuum of Care Program	14.267	GA0160L4B012006	684,450
Continuum of Care Program	14.267	GA0242L4B082008	274,148
Continuum of Care Program	14.267	GA0242L4B082109	383,132
Continuum of Care Program	14.267	GA0132L4B002012	116,778
Continuum of Care Program	14.267	GA0132L4B002113	<u>41,498</u>
			<u>1,712,775</u>
Passed through City of Atlanta			
Housing Opportunities for Persons with AIDS	14.241	250132581	82,017
Community Development Block Grants/Entitlement Grants	14.218	220132533	<u>116,052</u>
			<u>198,069</u>
Total U.S. Department of Housing and Urban Development			<u>4,416,350</u>
U.S. Department of Health and Human Services			
Passed through Georgia Department of Community Health			
Substance Abuse and Mental Health Services	93.243	1H79SM080640-01	518,279
Block Grants for Community Mental Health Services	93.958	1H79SM085467-01	<u>469,411</u>
			<u>987,690</u>
Passed through Georgia Department of Behavioral Health and Development Disabilities			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-906-0000161886	87,500
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-906-0000177462	122,500
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-263-0262022018	9,444
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-263-0262023018	9,444
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-906-0000167652	89,790
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-906-0000182006	89,350
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-906-0000168165	431,388
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-906-0000173734	83,987
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-906-CMA00003350	<u>31,601</u>
			<u>955,004</u>
Total U.S. Department of Health and Human Services			<u>1,942,694</u>
Total Federal Expenditures			<u>\$ 6,684,200</u>

The accompanying notes are an integral part of this schedule.

CARINGWORKS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

NOTE 1 — BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards summarizes the expenditures of the Organization under programs of the federal government for the year ended December 31, 2022 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the provision of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 — ACCOUNTING PRINCIPLES

Expenditures for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles obtained in the Uniform Guidance. Under these cost principles, certain types of expenditures are not allowed or are limited as to reimbursement.

NOTE 3 — INDIRECT COST RATE

The Organization has elected not to use the 10-percent de minimum indirect cost rate under Title 2 U.S. CFR Part 200, Subpart E, Cost Principles.



**INDEPENDENT AUDITORS' 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.**

We have audited, in accordance with the 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, 2022, 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 the date of this report.

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") as a basis for designing 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not 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 financial statements. 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.

Smith and Howard

May 8, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

**To the Board of Directors
CaringWorks, Inc.**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited CaringWorks, Inc. (the "Organization") compliance with the types of compliance requirements identified as subject to audit 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, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with the types of compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses

Report on Internal Control over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Smith and Howard

May 8, 2023

**CARINGWORKS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to consolidated financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance of major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse

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

Auditee qualified as low-risk auditee? yes no

**CARINGWORKS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022**

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None noted.

Section IV: Summary Schedule of Prior Audit Findings and Questioned Costs

None noted.