

CARINGWORKS, INC.

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
and
SUPPLEMENTARY INFORMATION

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 statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 and Government Auditing Standards 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 and Government Auditing Standards, 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 May 22, 2024 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.

Smith and Howard

Atlanta, GA
May 22, 2024

CARINGWORKS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 321,610	\$ 434,917
Federal and state grants receivable, net	1,225,663	1,336,082
Accounts receivable, net	47,559	30,084
Employee Retention Credit receivable	1,538,034	-
Contributions receivable, net	-	7,288
Prepaid expenses and other assets	29,952	98,567
Right-of-use assets	468,876	613,935
Property and equipment, net	<u>62,019</u>	<u>85,131</u>
 Total Assets	 <u><u>\$ 3,693,713</u></u>	 <u><u>\$ 2,606,004</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payables and accrued expenses	\$ 499,809	\$ 339,427
Amounts due to affiliate, net	209,714	20,509
Line of credit	500,000	-
Related party loans	200,000	-
Deferred revenue	21,600	-
Operating lease liabilities	<u>486,801</u>	<u>639,586</u>
 Total Liabilities	 <u>1,917,924</u>	 <u>999,522</u>
 Net Assets		
Without donor restrictions	1,744,306	1,250,920
With donor restrictions	<u>31,483</u>	<u>355,562</u>
 Total Net Assets	 <u>1,775,789</u>	 <u>1,606,482</u>
 Total Liabilities and Net Assets	 <u><u>\$ 3,693,713</u></u>	 <u><u>\$ 2,606,004</u></u>

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

CARINGWORKS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Federal and state grants	\$ -	\$ 8,705,726	\$ 8,705,726
Contributions and private grants	383,320	175,000	558,320
Client rental fees	483,267	-	483,267
Contract income	21,723	-	21,723
Management fees	18,000	-	18,000
Employee Retention Credit	<u>1,538,034</u>	<u>-</u>	<u>1,538,034</u>
Total Support and Revenue	2,444,344	8,880,726	11,325,070
Net assets released from restrictions	<u>9,204,805</u>	<u>(9,204,805)</u>	<u>-</u>
Total Support and Revenue and Net Assets Released from Restrictions	<u>11,649,149</u>	<u>(324,079)</u>	<u>11,325,070</u>
Expenses			
Program services	10,043,163	-	10,043,163
Management and general	912,750	-	912,750
Fundraising	<u>199,850</u>	<u>-</u>	<u>199,850</u>
Total Expenses	<u>11,155,763</u>	<u>-</u>	<u>11,155,763</u>
Change in Net Assets	493,386	(324,079)	169,307
Net Assets, Beginning of Year	<u>1,250,920</u>	<u>355,562</u>	<u>1,606,482</u>
Net Assets, End of Year	<u>\$ 1,744,306</u>	<u>\$ 31,483</u>	<u>\$ 1,775,789</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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and benefits	\$ 3,915,875	\$ 476,060	\$ 55,736	\$ 4,447,671
Transitional and supportive housing	4,171,310	-	-	4,171,310
Professional and consulting fees	921,550	55,564	132,647	1,109,761
Program supplies	520,452	1,547	-	521,999
Employee Retention Credit commission	-	186,375	-	186,375
Office supplies and printing	106,431	71,640	8,111	186,182
Occupancy	145,529	70,386	-	215,915
Insurance and taxes	146,454	21,714	2,239	170,407
Client assistance	61,409	-	-	61,409
Training and travel	26,264	4,551	18	30,833
Development	-	-	1,099	1,099
Depreciation	23,112	-	-	23,112
Other	4,777	24,913	-	29,690
Total Expenses	\$ 10,043,163	\$ 912,750	\$ 199,850	\$ 11,155,763

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 CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 169,307	\$ (681,355)
Adjustments to reconcile change in net assets to net cash required by operating activities:		
Depreciation	23,112	18,012
Lease expense	153,793	153,793
Payments on operating lease liabilities	(161,519)	(128,142)
Changes in operating assets and liabilities:		
Federal and state grants receivable, net	110,419	(206,284)
Accounts receivable, net	(17,475)	4,491
Employee Retention Credit receivable	(1,538,034)	-
Contributions receivable, net	7,288	20,139
Prepaid expenses and other assets	68,615	182,395
Accounts payable and accrued expenses	160,382	97,909
Amounts due to affiliate, net	189,205	(4,317)
Deferred revenue	21,600	(14,400)
	<u>(813,307)</u>	<u>(557,759)</u>
Net Cash Required by Operating Activities		
Cash Flows from Investing Activities:		
Purchases of property and equipment	-	(38,249)
	<u>-</u>	<u>(38,249)</u>
Net Cash Required by Investing Activities		
Cash Flows from Financing Activities:		
Proceeds from line of credit	500,000	-
Proceeds from related party loans	200,000	-
	<u>700,000</u>	<u>-</u>
Net Cash Provided by Financing Activities		
Net Decrease in Cash and Cash Equivalents	(113,307)	(596,008)
Cash and Cash Equivalents at Beginning of Year	434,917	1,030,925
Cash and Cash Equivalents at End of Year	<u>\$ 321,610</u>	<u>\$ 434,917</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash Paid during the Year for:		
Interest	\$ 23,967	\$ 1,200
	<u>\$ 23,967</u>	<u>\$ 1,200</u>

Supplemental Disclosure of Non-Cash Operating and Investing Activities:

See Note 5 for disclosure of cash and non-cash activities related to the right of use assets and operating lease liability obligations.

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

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, 82% and 94%, respectively, 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.

Adoption of New Accounting Policy

Effective January 1, 2023, the Organization adopted Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses. This ASU introduces a “current expected credit loss” (CECL) model which requires all expected credit losses for financial instruments held at the reporting date to be based on historical experience, current conditions, and reasonable supportable forecasts. The CECL model replaces the existing incurred loss method and is applicable to the measurement of credit losses of financial assets. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were trade accounts receivable. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

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.

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

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, 2023 or 2022.

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.

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, 2023 and 2022, 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, 2023 and 2022, management does not believe an allowance for doubtful contributions receivable is necessary.

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022, an allowance for doubtful accounts is not considered necessary since all receivables are considered collectible by management.

Employee Retention Credit

As part of the Coronavirus Aid, Relief and Economic Stabilization Act (the "CARES" Act), employers have the option to participate in the Employee Retention Credit ("ERC"). The ERC is a benefit provided through payroll tax credits to encourage maintaining employee headcounts throughout the Coronavirus pandemic. The Organization is treating the ERC as a conditional grant and records revenue when the conditions are substantially met. The Organization has met the conditions required by the ERC and recognized revenue and a related receivable of \$1,538,034 for the year ended December 31, 2023.

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.

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$23,112 and \$18,012 for the years ended December 31, 2023 and 2022, 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.

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, 2020.

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.

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 321,610	\$ 434,917
Federal and state grant receivables, net	1,225,663	1,336,082
Employee Retention Credit receivable	1,538,034	-
Accounts receivable, net	47,559	30,084
Contributions receivable, net	<u>-</u>	<u>7,288</u>
Total financial assets	3,132,866	1,808,371
Less amounts not available for general expenditures within one year:		
Subject to purpose and time restrictions	<u>(31,483)</u>	<u>(355,562)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,101,383</u>	<u>\$ 1,452,809</u>

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 and receive the Employee Retention Credit. The Organization's plan also includes reduction in operating expenses. As discussed in Note 6, the Organization has also increased their line of credit limit in 2023 from \$300,000 to \$500,000 for additional liquidity need. As of December 31, 2023, the Organization had \$500,000 outstanding on the line of credit which was paid off subsequent to year end. In addition, subsequent to year end, the Organization received a \$500,000 promissory note, bearing interest of 3%, which is due at the earlier of January 2, 2026 or thirty days after the receipt of Employee Retention Credit claim proceeds.

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 – PROPERTY AND EQUIPMENT, NET

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

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 57,910	\$ 57,910
Vehicles	115,561	115,561
Furniture	<u>11,712</u>	<u>11,712</u>
	185,183	185,183
Less: accumulated depreciation	<u>(123,164)</u>	<u>(100,052)</u>
	<u>\$ 62,019</u>	<u>\$ 85,131</u>

NOTE 5 – OPERATING LEASE COMMITMENTS

The Organization leases office space under arrangements that qualify as non-cancelable operating leases through 2027. The Organization has recorded ROU assets and operating lease liabilities which represents the present value of future lease payments. The weighted average remaining lease term is three 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, 2023, the Organization’s operating lease liabilities were comprised of the following:

Gross operating lease liabilities	\$ 497,771
Less: imputed interest	<u>(10,970)</u>
Present value of operating lease liabilities	<u>\$ 486,801</u>

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

2024	\$ 165,813
2025	171,740
2026	136,303
2027	<u>23,915</u>
	497,771
Less: imputed interest	<u>(10,970)</u>
	<u>\$ 486,801</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 June 28, 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 9.34% at December 31, 2023). The line of credit had an outstanding balance of \$500,000 at December 31, 2023. There were no outstanding borrowings at December 31, 2022.

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 – RELATED PARTY LOANS AND TRANSACTIONS

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 \$326,275 and \$305,094 for the years ended December 31, 2023 and 2022, respectively. Total amounts due to PHHI at December 31, 2023 and 2022 were \$217,933 and \$29,956, respectively.

During 2023, the Organization obtained a promissory note from PHHI, with an outstanding balance at December 31, 2023 of \$100,000, and interest bearing 5.06% per annum on the unpaid principal balance. The Note is due in full on the earlier of (1) September 1, 2024, or (2) receipt by the Organization of anticipated funds related to the Federal Employee Retention Tax Credit.

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, 2023 and 2022 were \$79,188 and \$80,793, respectively. At December 31, 2023 and 2022, amounts due from PHHI to the Organization related to these costs were \$8,219 and \$9,447, 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, 2023 and 2022 were \$18,000 and \$13,440, respectively.

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

During 2023, the Organization obtained a promissory note from a related party, with an outstanding balance at December 31, 2023 of \$100,000, and interest bearing 5.06% per annum on the unpaid principal balance. Accrued interest is payable quarterly on the thirtieth (30th) day of the calendar quarter following the calendar quarter in which it accrues, beginning on January 30, 2024. The Note is due in full on the earlier of (1) November 19, 2024, or (2) five (5) days after the date of receipt by the Organization of anticipated funds related to the Employee Retention Credit claim proceeds.

NOTE 8 – 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>2023</u>	<u>2022</u>
Capacity building	\$ 29,575	\$ 285,285
MOVE Dekalb	1,839	70,208
TeleHealth infrastructure	69	69
Total net assets with donor restrictions	<u>\$ 31,483</u>	<u>\$ 355,562</u>

CARINGWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 8 – 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>2023</u>	<u>2022</u>
Federal and state grants	\$ 8,705,726	\$ 10,259,546
Capacity building	255,710	264,715
Program activities	<u>243,369</u>	<u>237,423</u>
Total net assets released from donor restrictions	<u>\$ 9,204,805</u>	<u>\$ 10,761,684</u>

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 22, 2024, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

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

YEAR ENDED DECEMBER 31, 2023

CARINGWORKS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

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		\$ 287,591
VA Supportive Services for Veteran Families Program (GPD)	64.024		<u>111,634</u>
Total U.S. Department of Veterans Affairs			<u>399,225</u>
U.S. Department of Housing and Urban Development			
Direct			
Continuum of Care Program	14.267		148,052
Continuum of Care Program	14.267		60,093
Continuum of Care Program	14.267		367,070
Continuum of Care Program	14.267		39,277
Continuum of Care Program	14.267		44,595
Continuum of Care Program	14.267		145,936
Continuum of Care Program	14.267		717,099
Continuum of Care Program	14.267		67,135
Continuum of Care Program	14.267		481,629
Continuum of Care Program	14.267		49,412
Continuum of Care Program	14.267		240,008
Continuum of Care Program	14.267		<u>90,658</u>
			<u>2,450,964</u>
Passed through Georgia Department of Housing and Finance Authority			
Continuum of Care Program	14.267	GA0243L4B002109	98,967
Continuum of Care Program	14.267	GA0243L4B002210	147,744
Continuum of Care Program	14.267	GA0160L4B012107	744,648
Continuum of Care Program	14.267	GA0242L4B082109	265,430
Continuum of Care Program	14.267	GA0242L4B082210	369,666
Continuum of Care Program	14.267	GA0132L4B002113	125,405
Continuum of Care Program	14.267	GA0132L4B002214	<u>43,040</u>
			<u>1,794,900</u>
Passed through City of Atlanta			
Housing Opportunities for Persons with AIDS	14.241	250132637	138,734
Community Development Block Grants/Entitlement Grants	14.218	220132634	47,373
Community Development Block Grants/Entitlement Grants	14.218	220132671	<u>54,195</u>
			<u>240,302</u>
Total U.S. Department of Housing and Urban Development			<u>4,486,166</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	448,691
Substance Abuse and Mental Health Services	93.243	1H79TI085983-01	62,390
Block Grants for Community Mental Health Services	93.958	1H79SM085467-01	<u>416,033</u>
			<u>927,114</u>
Passed through Georgia Department of Behavioral Health and Development Disabilities			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-906-0000177462	87,500
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4410-906-CMA00003728	122,500
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-263-0262023018	9,452
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-263-0262024018	9,450
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-906-0000182006	59,008
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-906-CMA00003901	59,248
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-906-0000168165	828,539
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-906-CMA00003350	178,636
Block Grants for Prevention and Treatment of Substance Abuse	93.959	44100-906-CMA00004387	<u>43,357</u>
			<u>1,397,690</u>
Total U.S. Department of Health and Human Services			<u>2,324,804</u>
Total Federal Expenditures			<u>\$ 7,210,195</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, 2023

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, 2023 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, 2023, 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 May 22, 2024.

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

Atlanta, GA
May 22, 2024



**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, 2023. 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, 2023.

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

Atlanta, GA
May 22, 2024

**CARINGWORKS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

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

Noncompliance material to consolidated financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes X no

Significant deficiencies identified that are not considered to be material weakness(es)? ___ yes X 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 X no

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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

**CARINGWORKS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

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.