



Caracole, Inc.

December 31, 2022

Financial Statements and Independent Auditors' Report
Including Supplementary Information

**CARACOLE, INC.
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Caracole, Inc.
Cincinnati, Ohio

Opinion

We have audited the accompanying financial statements of Caracole, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Caracole, Inc. as of December 31, 2022 and 2021, and the results of 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Caracole, Inc. 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 audit opinion.

Other Matter

As described in the notes to the financial statements, during 2022, Caracole, Inc. adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Caracole, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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 generally accepted auditing standards 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 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 generally accepted auditing standards 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 Caracole, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of the 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 of Caracole, Inc.'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.

Supplementary Information

Our audits were 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* (CFR), *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 statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2023 on our consideration of Caracole, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Caracole, Inc.'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 Caracole, Inc.'s internal control over financial reporting and compliance.

VonLehman & Company Inc.

Fort Wright, Kentucky
August 2, 2023

CARACOLE, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2022	2021
Current Assets		
Cash	\$ 636,519	\$ 756,665
Accounts Receivable	1,598,002	1,604,785
United Way Allocation	37,500	29,646
Unconditional Promises to Give	20,967	5,761
Inventory	-	39,557
Prepaid Expenses	17,546	103,805
	2,310,534	2,540,219
Investments	3,730,555	4,399,313
	249,275	165,021
Property and Equipment, Net		
Other Assets		
Right of Use Asset - Operating Leases	1,098,958	-
Deposits	26,500	26,500
	1,125,458	26,500
Total Assets	\$ 7,415,822	\$ 7,131,053

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$ 213,229	\$ 159,500
Accrued Expenses	474,476	332,003
Operating Lease Liabilities	387,810	-
Line of Credit	101,039	-
Deferred Revenue	-	13,334
	1,176,554	504,837
Long-Term Liabilities (Less Current Portion)		
Operating Lease Liabilities	725,029	-
	1,901,583	504,837
Net Assets		
Without Donor Restrictions	5,329,848	6,546,635
With Donor Restrictions	184,391	79,581
	5,514,239	6,626,216
Total Liabilities and Net Assets	\$ 7,415,822	\$ 7,131,053

See accompanying notes.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains			
Contributions	\$ 174,586	\$ 20,967	\$ 195,553
Foundation Grants	39,325	138,000	177,325
Special Events (Revenue of \$153,368 Less Expenses of \$95,434)	57,934	-	57,934
Pharmacy Services	6,126,431	-	6,126,431
Government Grants	5,540,254	-	5,540,254
United Way Allocation	-	75,002	75,002
In-Kind Revenue	68,122	-	68,122
Room and Board	17,386	-	17,386
Miscellaneous Income	47	-	47
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, and Gains	12,024,085	233,969	12,258,054
Net Assets Released From Restrictions	<hr/>	<hr/>	<hr/>
	129,159	(129,159)	-
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, Gains, and Reclassifications	12,153,244	104,810	12,258,054
	<hr/>	<hr/>	<hr/>
Expenses			
Caracole House	521,483	-	521,483
Shelter Plus Care	1,148,236	-	1,148,236
Case Management	3,371,549	-	3,371,549
Permanent Supportive Housing	510,465	-	510,465
Pharmacy Services	5,233,216	-	5,233,216
Prevention	1,209,720	-	1,209,720
	<hr/>	<hr/>	<hr/>
Total Program Expenses	11,994,669	-	11,994,669
General and Administrative	395,920	-	395,920
Fundraising and Development	173,625	-	173,625
Marketing	186,031	-	186,031
	<hr/>	<hr/>	<hr/>
Total Expenses	12,750,245	-	12,750,245
	<hr/>	<hr/>	<hr/>
(Deficit) Excess of Revenue and Support Over Expenses from Operations	(597,001)	104,810	(492,191)
	<hr/>	<hr/>	<hr/>
Other Changes in Net Assets			
Nonoperating Net Investment Return	(619,786)	-	(619,786)
	<hr/>	<hr/>	<hr/>
Change in Net Assets	(1,216,787)	104,810	(1,111,977)
	<hr/>	<hr/>	<hr/>
Net Assets, Beginning of Year	6,546,635	79,581	6,626,216
	<hr/>	<hr/>	<hr/>
Net Assets, at End of Year	\$ 5,329,848	\$ 184,391	\$ 5,514,239
	<hr/>	<hr/>	<hr/>

See accompanying notes.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains			
Contributions	\$ 138,275	\$ 5,761	\$ 144,036
Foundation Grants	7,426	129,955	137,381
Special Events (Revenue of \$111,633 Less Expenses of \$31,670)	79,963	-	79,963
Pharmacy Services	6,217,340	-	6,217,340
Government Grants	4,550,829	-	4,550,829
United Way Allocation	-	30,243	30,243
In-Kind Revenue	44,784	-	44,784
Room and Board	19,300	-	19,300
Miscellaneous Income	5,031	-	5,031
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, and Gains	11,062,948	165,959	11,228,907
Net Assets Released From Restrictions	<hr/>	<hr/>	<hr/>
	240,230	(240,230)	-
Total Revenue, Support, Gains, and Reclassifications	<hr/>	<hr/>	<hr/>
	11,303,178	(74,271)	11,228,907
Expenses			
Caracole House	526,076	-	526,076
Shelter Plus Care	1,071,128	-	1,071,128
Case Management	2,636,470	-	2,636,470
Permanent Supportive Housing	546,624	-	546,624
Pharmacy Services	4,942,340	-	4,942,340
Prevention	756,336	-	756,336
	<hr/>	<hr/>	<hr/>
Total Program Expenses	10,478,974	-	10,478,974
General and Administrative	502,693	-	502,693
Fundraising and Development	122,032	-	122,032
Marketing	148,370	-	148,370
	<hr/>	<hr/>	<hr/>
Total Expenses	11,252,069	-	11,252,069
Excess (Deficit) of Revenue, Support and Gains Over Expenses from Operations	51,109	(74,271)	(23,162)
Other Changes in Net Assets			
Nonoperating Net Investment Return	524,034	-	524,034
Change in Net Assets	575,143	(74,271)	500,872
Net Assets, Beginning of Year	<hr/>	<hr/>	<hr/>
	5,971,492	153,852	6,125,344
Net Assets, at End of Year	<hr/>	<hr/>	<hr/>
	\$ 6,546,635	\$ 79,581	\$ 6,626,216

See accompanying notes.

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

	Program Services						Supporting Services				
	Caracole House	Shelter Plus Care	Case Management	Permanent Supportive Housing	Pharmacy Services	Prevention	Total	General and Administrative	Fundraising and Development	Marketing	Total
Salaries and Wages	\$ 169,187	\$ 346,951	\$ 2,201,196	\$ 111,091	\$ -	\$ 708,761	\$ 3,537,186	\$ 177,282	\$ 106,114	\$ 60,651	\$ 3,881,233
Payroll Taxes and Benefits	39,289	112,442	629,922	32,080	-	205,880	1,019,613	19,018	14,847	16,574	1,070,052
Pharmacy Expenses	-	-	-	-	5,233,216	-	5,233,216	-	-	-	5,233,216
Specific Assistance to Individuals	206,306	624,245	39,459	343,567	-	5,467	1,219,044	89	202	-	1,219,335
Donated Goods and Services	9,451	4,748	14,373	13	-	3,177	31,762	-	35,460	900	68,122
Events	-	-	-	-	-	-	-	-	95,435	-	95,435
Occupancy	54,567	25,631	150,887	9,318	-	68,320	308,723	13,062	6,178	3,243	331,206
Supplies	7,742	1,736	19,893	1,354	-	80,643	111,368	12,967	445	382	125,162
Telephone	4,116	3,681	26,060	1,490	-	8,521	43,868	3,220	611	554	48,253
Professional Services	4,359	8,492	70,997	3,686	-	11,197	98,731	78,891	-	2,310	179,932
Technology Fees	3,302	6,141	113,081	1,910	-	8,641	133,075	23,684	1,765	6,268	164,792
Travel Expenses	960	907	6,849	951	-	11,999	21,666	218	574	65	22,523
Equipment Rent and Maintenance	15,801	3,010	25,098	684	-	9,403	53,996	13,317	1,268	328	68,909
Marketing	1,967	3,114	26,437	1,383	-	76,862	109,763	2,172	3,039	90,886	205,860
Printing and Publications	71	158	1,398	70	-	1,419	3,116	899	268	1,963	6,246
Insurance	1,252	1,445	12,277	585	-	2,577	18,136	6,851	160	88	25,235
Miscellaneous Expenses	318	703	5,243	312	-	819	7,395	1,908	19	61	9,383
Postage and Delivery	61	778	1,433	212	-	465	2,949	1,399	2,674	25	7,047
Conferences and Meetings	95	210	3,067	93	-	225	3,690	1,612	-	1,733	7,035
Staff Education/Development	2,418	2,631	19,738	1,450	-	4,597	30,834	16,332	-	-	47,166
Membership Dues	202	1,172	3,832	198	-	703	6,107	4,657	-	-	10,764
Interest Expense	19	41	309	18	-	44	431	431	-	-	862
Depreciation	-	-	-	-	-	-	-	17,911	-	-	17,911
Total Expenses by Function	521,483	1,148,236	3,371,549	510,465	5,233,216	1,209,720	11,994,669	395,920	269,059	186,031	12,845,679
Less Expenses Included with Revenues on the Statement of Activities	-	-	-	-	-	-	-	-	(95,434)	-	(95,434)
Total Expenses Included in the Expense Section on the Statement of Activities	\$ 521,483	\$ 1,148,236	\$ 3,371,549	\$ 510,465	\$ 5,233,216	\$ 1,209,720	\$ 11,994,669	\$ 395,920	\$ 173,625	\$ 186,031	\$ 12,750,245

See accompanying notes.

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

	Program Services						Supporting Services				
	Caracole House	Shelter Plus Care	Case Management	Permanent Supportive Housing	Pharmacy Services	Prevention	Total	General and Administrative	Fundraising and Development	Marketing	Total
Salaries and Wages	\$ 210,942	\$ 279,282	\$ 1,703,695	\$ 104,961	\$ -	\$ 464,519	\$ 2,763,399	\$ 288,613	\$ 88,606	\$ 56,034	\$ 3,140,618
Payroll Taxes and Benefits	42,141	61,875	460,758	33,386	-	114,306	712,466	55,117	12,418	12,018	780,001
Pharmacy Expenses	-	-	-	-	4,942,340	-	4,942,340	-	-	-	4,942,340
Specific Assistance to Individuals	205,333	670,128	53,209	380,309	-	-	1,308,979	-	-	-	1,308,979
Donated Goods and Services	13,049	6,648	19,762	-	-	3,400	42,859	-	1,925	-	44,784
Events	-	-	-	-	-	-	-	-	31,670	-	31,670
Occupancy	25,788	22,137	141,551	13,121	-	47,741	250,338	18,838	7,066	3,170	276,242
Supplies	4,101	1,040	7,309	1,125	-	42,461	56,036	8,789	193	1,402	65,018
Telephone	10,174	4,687	33,566	2,775	-	8,797	59,999	5,175	1,013	756	66,187
Professional Services	3,340	5,401	62,687	2,903	-	5,694	80,025	51,850	-	3,000	131,875
Technology Fees	3,760	4,032	80,753	1,759	-	5,414	95,718	10,285	3,124	4,103	109,127
Travel Expenses	232	1,599	3,682	1,405	-	6,410	13,328	864	346	16	14,538
Equipment Rent and Maintenance	2,689	2,853	16,209	928	-	5,299	27,978	11,809	1,312	2	41,099
Marketing	1,197	2,153	21,002	1,108	-	38,774	64,234	623	744	65,691	65,601
Printing and Publications	10	21	150	11	-	903	1,095	136	1,748	216	2,979
Insurance	1,795	1,690	11,126	715	-	7,995	23,321	3,077	597	41	26,995
Miscellaneous Expenses	71	143	1,013	73	-	101	1,401	1,228	30	-	2,659
Postage and Delivery	66	865	1,369	636	-	436	3,372	342	2,238	1,721	5,952
Conferences and Meetings	110	855	1,601	116	-	160	2,842	2,175	113	-	5,130
Staff Education/Development	999	2,845	17,028	997	-	3,518	25,387	15,777	559	200	41,723
Membership Dues	279	2,874	-	296	-	408	3,857	5,630	-	-	9,487
Interest Expense	-	-	-	-	-	-	-	2,201	-	-	2,201
Depreciation	-	-	-	-	-	-	-	20,164	-	-	20,164
Total Expenses by Function	526,076	1,071,128	2,636,470	546,624	4,942,340	756,336	10,478,974	502,693	153,702	148,370	11,135,369
Less Expenses Included with Revenues on the Statement of Activities	-	-	-	-	-	-	-	-	(31,670)	-	(31,670)
Total Expenses Included in the Expense Section on the Statement of Activities	\$ 526,076	\$ 1,071,128	\$ 2,636,470	\$ 546,624	\$ 4,942,340	\$ 756,336	\$ 10,478,974	\$ 502,693	\$ 122,032	\$ 148,370	\$ 11,252,069

See accompanying notes.

CARACOLE, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2022	2021
Cash Flows From Operating Activities		
Change in Net Assets	\$ (1,111,977)	\$ 500,872
Reconciliation of Change in Net Assets with Cash Flows From Operations		
Depreciation	17,911	20,164
Donated Stock	(5,082)	(5,628)
Net Investment Return	619,786	(524,034)
Changes In Operating Assets and Liabilities		
Accounts Receivable	6,783	(283,473)
United Way Allocation	(7,854)	29,052
Unconditional Promises to Give	(15,206)	17,930
Inventory	39,557	-
Prepaid Expenses	86,259	(30,570)
Right of Use Asset - Operating Leases	388,515	-
Accounts Payable	53,729	121,645
Accrued Expenses	142,473	22,381
Refundable Advance - Paycheck Protection Program	-	(164,011)
Operating Lease Liabilities	(374,634)	-
Deferred Revenue	(13,334)	13,334
	<u>(173,074)</u>	<u>(282,338)</u>
Net Used Provided by Operating Activities		
Cash Flows From Investing Activities		
Acquisition of Property and Equipment	(102,165)	-
Acquisition of Investments	(1,225,408)	-
Proceeds from Sales of Investments	1,279,462	-
	<u>(48,111)</u>	<u>-</u>
Net Cash Used by Investing Activities		
Cash Flows From Financing Activities		
Net Change in Line of Credit	101,039	-
	<u>(120,146)</u>	<u>(282,338)</u>
Net Change in Cash		
Cash, Beginning of Year	<u>756,665</u>	<u>1,039,003</u>
Cash, End of Year	<u>\$ 636,519</u>	<u>\$ 756,665</u>

See accompanying notes.

CARACOLE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Caracole, Inc. (the Organization or Caracole) was organized on May 26, 1987 as a nonprofit corporation. Caracole's mission is to positively change lives in the fight against HIV/AIDS through prevention, housing and care. The Organization receives its revenue primarily from federal, state and local government grants. The Organization serves a wide geographical area consisting of portions of southwest Ohio, northern Kentucky, and southeast Indiana.

The Organization's viability is dependent on the success of program services, contributions and grants, and the Organization's ability to collect on its contracts with customers.

Use of Estimates

The process of preparing financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounts Receivable

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. The Organization begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the Organization's collection history, the financial stability and recent payment history of the grantors and clients, and other pertinent factors. Accounts receivables are written off as uncollectible after the Organization has used reasonable collection efforts and deemed them uncollectible. Based on these criteria, no allowance for doubtful accounts has been provided at December 31, 2022 and 2021 since management does not expect any material losses.

United Way Allocation

The United Way allocation receivable consists of an unconditional promise to give in the form of an annual allocation made by the United Way of Cincinnati. This allocation will be collected within one year and is reported at its net realizable value. No present value discount or allowance for uncollectible amount is deemed necessary to record.

Promises to Give

The Organization records unconditional promises to give that are expected to be collected at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. Based on these criteria, no allowance for uncollectible promises to give has been provided at December 31, 2022 and 2021 since the Organization does not expect any material losses. All promises to give will be collectable within one year and reported at their net realizable value therefore, no present value discount is deemed necessary to record.

Inventory

The Organization's inventory is comprised of pharmacy services inventory. The inventory is stated at the lower of cost, determined by the first-in, first-out (FIFO) method, or net realizable value. All inventory consists of pharmaceuticals held at Avita headquarters in Pennsylvania and is for the benefit of Caracole clients.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Investments**

The Organization holds investment securities that are considered non-operating. The investments are not considered to be part of the Organization's core operations. Although not part of the Organization's operations the investments provide diversification and can act as a financial back up.

Investments if purchased are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less any external and direct internal investment expenses. Cash equivalents, and other securities and investments held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account with a limit of \$250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments.

Property and Equipment

Property and equipment are stated at cost, or if donated, at fair value at the date of donation, and depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method for financial reporting purpose. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized for items in excess of \$5,000.

The useful lives of property and equipment for purposes of computing depreciation are:

Leasehold Improvements	15 years
Furniture and Fixtures	5 to 7 years
Vehicles	5 years

Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell. Long-lived assets were measured for impairment, and no adjustments were deemed necessary during both the years ended December 31, 2022 and 2021.

Contract Liabilities

Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for foundation grants for endowment purposes.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition*Revenue from Contracts with Customers*

Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing services. The Organization recognizes contract revenue for financial reporting at a point in time. Contracts with customers may include multiple performance obligations for which the consideration is allocated between performance obligations. Depending on the terms of the contract, the Organization may defer the recognition of revenue and record a contract liability when a future performance obligation has not yet occurred.

Revenue from the sale of pharmaceutical inventory is recognized when obligations under the terms of a contract with the customer are satisfied, which generally occurs with the transfer of the product to the customer. Determining when control transfers require management to make judgements that affect the timing of revenue recognized. The Organization believes that this method provides a faithful depiction of the transfer of control of its products.

The Organization records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

Revenue from Contributions

The Organization recognizes contributions when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

Grants from governmental agencies are earned based on agreed allowable costs for services provided. In the case of government grants, reimbursement is based on allowable costs expended for program services. Revenue is recognized when earned. Program payments under cost reimbursement contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Consequently, at December 31, 2022 and 2021, conditional grants totaling approximately \$2,217,142 and \$2,090,330 respectively, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Donated Services, Equipment, and In-Kind Contributions

Donations of equipment and in-kind contributions are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization has significant time contributed to its mission through volunteers. However, the statements of activities do not reflect the value of these services as they do not meet recognition criteria required under U.S. GAAP.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Advertising Costs**

The Organization expenses advertising costs as they are incurred.

Retirement Plan

The Organization adopted a defined contribution retirement plan (the Plan) under Internal Revenue Code Section 401(k) for all eligible employees. The Plan provides for both employee and employer contributions. The Organization contributes a discretionary amount determined by the Board of Directors. By its nature, the Plan is fully funded.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is an Ohio nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to the Internal Revenue Code.

The Organization has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Organization recognized no interest or penalties in the statements of activities for either of the years ended December 31, 2022 or 2021. If the situation arose in which the Organization would have interest to recognize, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. The Organization is not currently under audit, nor has the Organization been contacted by these jurisdictions.

Based on evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for either of the years ended December 31, 2022 or 2021.

Adoption of New Accounting Standards*Lease Accounting Standard*

Effective January 1, 2022, the Organization adopted FASB ASC 842, *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the statements of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The Organization elected to adopt FASB ASC 842, *Leases*, using the optional transition method that allows the Organization to initially apply the new lease standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. As a result, the Organization reporting for the comparative period presented in the financial statements is in accordance with FASB ASC 840.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Organization also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets.

The adoption of FASB ASC 842, *Leases*, resulted in the following impact at January 1, 2022:

Right of Use Assets - Operating Leases	\$ <u>1,487,473</u>
Operating Lease Liabilities	\$ <u>1,487,473</u>

Subsequent Events

The Organization has evaluated subsequent events through _____, 2023, which is the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY

Financial assets available for general use and without donor or other restrictions or designations limiting their use, within one year of the statement of financial position are comprised of the following:

	December 31,	
	<u>2022</u>	<u>2021</u>
Cash	\$ 636,519	\$ 756,665
Accounts Receivable	1,598,002	1,604,785
United Way Allocation	37,500	29,646
Unconditional Promises to Give	20,967	5,761
Investments	<u>3,730,555</u>	<u>4,399,313</u>
Total Financial Assets	<u>6,023,543</u>	<u>6,796,170</u>
Designated or Restricted Assets		
Donor Restricted Endowment	(19,674)	(19,674)
Board Designated Endowment	(3,705,713)	(4,374,011)
Other Donor Restricted Funds	<u>(106,250)</u>	<u>(24,500)</u>
Total Designated or Restricted Assets	<u>(3,831,637)</u>	<u>(4,418,185)</u>
Total Financial Assets Available	<u>\$ 2,191,906</u>	<u>\$ 2,377,985</u>

NOTE 2 - LIQUIDITY (Continued)

The Organization’s endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Donor-restricted endowments are restricted in perpetuity, except for the income which is available for general use. Donor-restricted endowment funds are not available for general use.

The Organization’s Board designated endowment funds are subject to an annual spending rate of 4%. Although the Organization does not intend to spend from this Board designated endowment, these funds are available if deemed necessary.

As part of the Organization’s liquidity management, the Organization invests cash in excess, as determined by the Board of Directors, in short-term investments and money market funds.

NOTE 3 - CASH AND CASH FLOWS

For purposes of the statements of cash flows, cash includes cash held in checking accounts.

At various times throughout the year, the Organization may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to \$250,000 for each depositor.

Cash paid for interest was \$862 and \$2,201 in 2022 and 2021, respectively.

The Organization had noncash financing, operating, or investing activities as follows:

	December 31,	
	2022	2021
Right of Use Assets Obtained Through Operating Lease Liabilities	\$ 1,487,473	\$ -

NOTE 4 - INVESTMENTS

Investments consisted of the follows:

	December 31,	
	2022	2021
Cash Equivalents	\$ 1,227,315	\$ 206,323
Mutual Funds and Exchange Traded Funds	2,503,240	4,192,990
	<u>\$ 3,730,555</u>	<u>\$ 4,399,313</u>

NOTE 5 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

LEVEL 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

LEVEL 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

LEVEL 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following are descriptions of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Cash and Cash Equivalents - Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Mutual Funds and Exchange Traded Funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The preceding methods described may provide a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the operating date.

All investments were valued at Level 1 as of December 31, 2022 and 2021.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credits risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect account balances and amounts reported in the statements of financial position.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation consist of the following:

	December 31,	
	2022	2021
Leasehold Improvements	\$ 260,869	\$ 166,204
Furniture and Fixtures	54,765	47,265
Vehicles	77,914	77,914
	393,548	291,383
Less Accumulated Depreciation	144,273	126,362
Total Property and Equipment, Net	\$ 249,275	\$ 165,021

NOTE 7 – CONTRACT BALANCES

Receivables balances from contracts with customers and contract liabilities were as follows:

	December 31,	
	2022	2021
Accounts Receivable		
Beginning of Year	\$ 1,604,785	\$ 1,321,312
End of Year	\$ 1,598,002	\$ 1,604,785
Deferred Revenue		
Beginning of Year	\$ 13,334	\$ -
End of Year	\$ -	\$ 13,334

NOTE 8 - ACCRUED EXPENSES

Accrued expenses consisted of the following:

	December 31,	
	2022	2021
Accrued Payroll Related Taxes and Withholdings	\$ 182,536	\$ 144,174
Accrued Vacation	180,848	182,660
Other Accruals	111,092	5,169
	<u>\$ 474,476</u>	<u>\$ 332,003</u>

NOTE 9 - LINE OF CREDIT

The Organization has available a \$1,000,000 line of credit. The line of credit charges interest based on the UBS Variable rate (the rate was 4.172% at December 31, 2022) plus 2.75%. The line of credit is collateralized by the Board designated investments held by the Organization. The outstanding balance was \$101,039 and \$-0- at December 31, 2022 and 2021, respectively. The Board of Directors established a policy stating no more than \$500,000 can be drawn on the line of credit without additional Board approval.

NOTE 10 – LEASES

The Company has signed ten operating leases for which right of use assets were recorded on the statements of financial position of the Organization. As of December 31, 2022, three leases (with two amendments) are for the use of office space and houses and the other seven are for equipment. These leases expire on various dates through March 2027. These leases are subject to certain renewal and/or termination options, all of which were not included in the lease liabilities due to the options not being reasonably certain to be exercised.

NOTE 10 – LEASES (Continued)

The components of lease expenses that are included in the statements of activities are as follows:

	Year Ended December 31, 2022
Lease Expense	
Operating Lease Expense	\$ 414,183

The following summarizes the cash flow information, weighted average lease term, and discount rate related to operating leases as of and for the year ended December 31, 2022:

Other Information

Cash Paid for Amounts Included in the Measurement of Lease Liabilities

Operating Cash Flows from Operating Leases	\$ 400,303
ROU Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 1,487,473
Weighted-Average Remaining Lease Term in Years for Operating Leases	3.47
Weighted-Average Discount Rate for Operating Leases	2.00%

The maturities of operating lease liabilities are as follows:

Years Ending December 31,	
2023	\$ 405,847
2024	286,582
2025	202,123
2026	205,344
2027	51,839
	<hr/>
Total Undiscounted Cash Flows	1,151,735
Less: Present Value Discount	(38,896)
	<hr/>
Total Lease Liabilities	\$ 1,112,839

Leases under ASC 840, Leases

The organization leased office space and equipment under operating leases. Total lease expense incurred in 2021 was \$389,853.

NOTE 11 - ENDOWMENT

The Organization's endowment consists of several individual funds established for a variety of purposes. Its endowment includes donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 11 - ENDOWMENT (Continued)

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the contributed value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instruction at the time the accumulation is added to the fund.

The remaining portion of the donor restricted endowment fund are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which is rebalanced annually to achieve an allocation of 60% equities and 40% fixed income. Investments in a single issue should not exceed 5% of the total market value of the portfolio.

Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). UPMIFA permits spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2022 and 2021, no funds had fallen below their original donor fair value.

Spending Policy. The Organization has a policy of appropriating for distribution each year 4% of its endowment fund's average fair value of the endowment using the previous three year moving average of the market value. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, one of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 7% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

NOTE 11 - ENDOWMENT (Continued)

Endowment net assets composition by type of fund as of December 31, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 3,705,713	\$ -	\$ 3,705,713
Donor-Restricted Endowment Funds	-	19,674	19,674
Endowment Net Assets, Composition by Type of Fund	<u>\$ 3,705,713</u>	<u>\$ 19,674</u>	<u>\$ 3,725,387</u>

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 4,374,011	\$ 19,674	\$ 4,393,685
Transfers	(48,512)	-	(48,512)
Investment Return, Net	<u>(619,786)</u>	<u>-</u>	<u>(619,786)</u>
Endowment Net Assets, End of Year	<u>\$ 3,705,713</u>	<u>\$ 19,674</u>	<u>\$ 3,725,387</u>

Endowment net asset composition by type of fund as of December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 4,374,011	\$ -	\$ 4,374,011
Donor-Restricted Endowment Funds	-	19,674	19,674
Endowment Net Assets, Composition by Type of Fund	<u>\$ 4,374,011</u>	<u>\$ 19,674</u>	<u>\$ 4,393,685</u>

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 3,849,977	\$ 19,674	\$ 3,869,651
Contributions	3,725	-	3,725
Investment Return, Net	<u>520,309</u>	<u>-</u>	<u>520,309</u>
Endowment Net Assets, End of Year	<u>\$ 4,374,011</u>	<u>\$ 19,674</u>	<u>\$ 4,393,685</u>

NOTE 12 - BOARD DESIGNATED NET ASSETS

The Board designated net assets for the following purposes:

	December 31,	
	2022	2021
Endowment Purposes	\$ 3,705,713	\$ 4,374,011

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows purposes:

	December 31,	
	2022	2021
Subject to Expenditure for Specific Purpose		
Case Assistance	\$ 6,250	\$ 4,000
Housing Assistance	92,500	20,500
Prevention	7,500	-
	<u>106,250</u>	<u>24,500</u>
Subject to the Passage of Time		
Unconditional Promises to Give	20,967	5,761
United Way	37,500	29,646
	<u>58,467</u>	<u>35,407</u>
Not Subject to Spending Policy or Appropriation		
Donor Established Endowment	19,674	19,674
Total Net Assets with Donor Restrictions	<u>\$ 184,391</u>	<u>\$ 79,581</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows:

	Years Ended December 31,	
	2022	2021
Expiration of Time Restrictions	\$ 72,909	\$ 82,986
Satisfaction of Purpose Restrictions		
Housing Assistance	43,000	78,500
Case Management	10,750	10,175
Prevention	2,500	68,569
	<u>129,159</u>	<u>240,230</u>
Total Net Assets Released From Restrictions	<u>\$ 129,159</u>	<u>\$ 240,230</u>

NOTE 14 – DONATED SERVICES, EQUIPMENT AND IN-KIND CONTRIBUTIONS

The Organization received donated services, equipment and in-kind contributions for the years ended as follows:

Donated Goods and Services Category	Types of Contributions	Program or Activity Usage	Donor Imposed Restrictions	Valuation	2022	2021
Program Supplies	Client Health & Safety Supplies	Caracole House Program	None	Standard Industry Pricing for Similar Supplies	\$ 9,438	\$ 13,049
Program Supplies	Client Health & Safety Supplies	Prevention Program	None	Standard Industry Pricing for Similar Supplies	3,146	3,805
Program Supplies	Client Health & Safety Supplies	Shelter Plus Care Program	None	Standard Industry Pricing for Similar Supplies	4,719	6,648
Program Supplies	Client Health & Safety Supplies	Case Management Program	None	Standard Industry Pricing for Similar Supplies	14,158	19,357
Professional Services	Graphic Design Services and Production	Management and General	None	Third-party Estimates Using Rates in Like Circumstances	1,200	-
Advertising Services	Digital, Broadcast, and Billboard Campaigns	Fundraising	None	Third-party Estimates Using Rates in Like Circumstances	1,000	1,000
Events Items	Goods & Gift Cards for Auction	Fundraising	None	Resale Value	<u>34,461</u>	<u>925</u>
Total					<u>\$ 68,122</u>	<u>\$ 44,784</u>

NOTE 15 - RETIREMENT PLAN EXPENSE

During the years ended December 31, 2022 and 2021, the Organization incurred expenses related to the Organization sponsored retirement plan in the amounts of \$86,187 and \$77,744, respectively.

NOTE 16 - ADVERTISING EXPENSE

The Organization incurred advertising expense of \$205,860 and \$131,292 for the years ended December 31, 2022 and 2021, respectively.

NOTE 17 - ECONOMIC DEPENDENCY

The Organization derived 45% and 41% for the years ended December 31, 2022 and 2021, respectively, of its revenues from individual government contracts. Future revenue granted under these contracts is dependent upon continued government support and is subject to the risk of changes or cancellations in program funding.

Pharmacy services income accounted for approximately 50% and 55% of the Organization’s revenue for the years ended December 31, 2022 and 2021, respectively.

NOTE 18 - OHIO DEPARTMENT OF HEALTH FUNDS

The Organization received federal funding passed through the Ohio Department of Health for the year ended December 31, 2022 as follows:

Federal Grantor	CFDA Number	Grant Title	Federal Expenditures (Cash Basis)
U.S. Department of Health and Human Services	93.917	HIV Care Formula Grant	\$ 2,464,494
U.S. Department of Health and Human Services	93.686	Ending the HIV Epidemic Grant	\$ 338,539

NOTE 19 - 340B DRUG PRICING PROGRAM

The Organization participates in the 340B Drug Pricing Program (340B Program) in conjunction with the federal HIV Care Formula Grant program. The 340B Program offers medication assistance to clients that do not qualify for the state operated program. Program income for the program as it relates to the HIV Care Formula Grant program are not generated directly from federal funding but as a result of supportive activities conducted. The program is overseen by the Federal Agency Health Resources and Services Administration (HRSA). HRSA continues to conduct routine audits of these programs at health care and support organizations, and it is noted there has been an increase in its compliance monitoring around processes and program income. Laws and regulations governing the 340B Program are complex and subject to interpretation by the granting and sub-granting agencies. As a result, it is possible that material changes related to the 340B Program could occur.

SUPPLEMENTARY INFORMATION

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

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Housing and Urban Development				
Housing Opportunities for Persons with AIDS				
<u>Passed Through Strategies to End Homelessness</u>				
Housing Opportunities for Persons with AIDS	14.241	20225001	\$ -	\$ 697,517
Continuum of Care Program				
<u>Passed Through Strategies to End Homelessness</u>				
Continuum of Care Program	14.267	2021-0543	-	78,042
Continuum of Care Program	14.267	20210009	-	418,041
Continuum of Care Program	14.267	20220009	-	416,319
Total Continuum of Care Program			-	912,402
Total U.S. Department of Housing and Urban Development			-	1,609,919
U.S. Department of Health and Human Services				
HIV Care Formula Grant				
<u>Passed Through the Ohio Department of Health</u>				
HIV Care Formula Grant	93.917	06160132RW1122	-	785,827
Ending the HIV Epidemic Grant				
<u>Passed Through the Ohio Department of Health</u>				
Ending the HIV Epidemic Grant	93.686	03160131EH0121	-	70,735
Ending the HIV Epidemic Grant	93.686	06160131EH0222	-	280,181
Total Ending the HIV Epidemic Grant			-	350,916
Total U.S. Department of Health and Human Services			-	1,136,743
U.S. Department of the Treasury				
COVID State and Local Fiscal Recovery Funds				
<u>Passed Through the City of Cincinnati</u>				
<u>Administered by the United Way of Greater Cincinnati</u>				
COVID-19 State and Local Fiscal Recovery Funds	21.027	101 25X033	-	13,334
Total U.S. Department of Treasury			-	13,334
Total Expenditures of Federal Awards			\$ -	\$ 2,759,996

See accompanying notes to the schedule of expenditures of federal awards.

CARACOLE, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Caracole, Inc. under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Caracole, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Caracole, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Caracole, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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**

The Board of Directors
Caracole, Inc.
Cincinnati, Ohio

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 Caracole, Inc. (a nonprofit 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 August 2, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Caracole, Inc.'s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Caracole, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Caracole, Inc.'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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caracole, Inc.'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.

VonLehman & Company Inc.

Fort Wright, Kentucky
August 2, 2023

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

The Board of Directors
Caracole, Inc.
Cincinnati, Ohio

Opinion on Each Major Federal Program

We have audited Caracole, Inc.'s 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 Caracole, Inc.'s major federal programs for the year ended December 31, 2022. Caracole, Inc.'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, Caracole, Inc. 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; 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 Caracole, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Caracole, Inc.'s compliance with the 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 Caracole, Inc.'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 Caracole, Inc.'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 Caracole, Inc.'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 Caracole, Inc.'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 Caracole, Inc.'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 Caracole, Inc.'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

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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

VonLehman & Company Inc.

Fort Wright, Kentucky
August 2, 2023

CARACOLE, 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 on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weakness(es) identified? 	No
<ul style="list-style-type: none"> • Significant deficiency(ies) identified? 	None Reported
Noncompliance material to the financial statements noted?	No
FEDERAL AWARDS	
Internal control over major federal programs:	
<ul style="list-style-type: none"> • Material weakness(es) identified? 	No
<ul style="list-style-type: none"> • Significant deficiency(ies) identified? 	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	U.S. Department of Health and Human Services <ul style="list-style-type: none"> • HIV Care Formula Grant [ALN 93.917] • Ending the HIV Epidemic Grant [ALN 93.686]
Dollar Threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.

CARACOLE, INC.
SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.