

**GRANT CONTRACT
 BETWEEN THE METROPOLITAN GOVERNMENT
 OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE
 BY AND THROUGH
 THE METROPOLITAN HOUSING TRUST FUND COMMISSION
 AND
 PROJECT RETURN, INC.**

This Grant Contract issued and entered into by and between the Metropolitan Government of Nashville and Davidson County, a municipal corporation of the State of Tennessee hereinafter referred to as "Metro", and Project Return, Inc. hereinafter referred to as the "Recipient," is for the provision of the construction of affordable housing units as further defined in the "SCOPE OF PROGRAM." Project Return, Inc. will be adding 2 affordable housing units located at 739 Neely's Bend Road, Madison, TN 37115. The recipient's budget request, financial statements or audit, 501(c)3 letter, and/or charter documents are incorporated herein. The Recipient is a nonprofit charitable or civic organization.

A. SCOPE OF PROGRAM:

- A.1. Each Property to which these grant funds are provided for shall be subject to a Declaration of Restrictive Covenants ("Declaration") imposing certain affordability requirements to encumber the Property and run with the land over a 30-year term. Terms defined in the Declaration shall have the same meanings when used in this Agreement.
- A.2. The Recipient shall use the funds under this grant in accordance with the affordable housing project submitted in the application and any of its amendments, which application is incorporated herein, and subject to the terms and conditions set forth herein.
- A.3. The Recipient, under this Grant Contract, will spend funds solely for the purposes set forth in their application or proposal for grant funding which is incorporated herein. These funds shall be expended consistent with the Grant Budget, included in Attachment A. Although some variation in line-item amounts for the Grant is consistent with the Grant Budget, any change greater than 20% of a line-item shall require the prior written approval of Metro. However, in no event will the total amount of the Grant funds provided to Recipient go above the awarded Grant amount of \$190,884.

Additional Conditions for Rental Properties:

1. Tenants must be income-eligible at the time of initial occupancy, and Recipient must certify all incomes annually and maintain a certified rent roll. In the event a tenant's income increases above the income-requirement for the unit, the tenant is not disqualified from remaining in the unit. However, the tenant's rent shall be adjusted to the corresponding AMI level for the next lease term.
2. The Recipient will provide Metro with a management plan program oversight which includes certification of the rents, utility allowances and tenant incomes. The Grantee shall also provide Metro an annual certification that Barnes rental requirements are being met throughout the compliance period.
3. The Grantee will allow Metro or a Metro-approved contractor to conduct on-site inspections of the grantee for compliance Barnes program requirements including, but not limited to, reviewing tenant income calculations, rent determinations and utility allowances.
4. Compliance restrictions on both tenant income and maximum rents shall apply for thirty (30) years from the date of issuance of the certificate of occupancy for the final building within the project. If a certificate of occupancy is not issued, the compliance period will begin on the date of recordation of the notice of completion for the project.

5. Recipient shall not increase rents during a lease term.

B. GRANT CONTRACT TERM:

B.1. Grant Contract Term. The term of this Grant shall be from execution of the grant agreement until Project completion, but in no way greater than 24 months from the execution of the grant agreement. Metro shall have no obligation for services rendered by the Recipient which are not performed within this term. Pursuant to Metropolitan Code of Laws § 2.149.040 (G), in the event the recipient fails to complete its obligations under this grant contract within twenty-four months from execution, Metro is authorized to rescind the contract and to reclaim previously appropriated funds from the organization.

C. PAYMENT TERMS AND CONDITIONS:

C.1. Maximum Liability. In no event shall the maximum liability of Metro under this Grant Contract exceed One Hundred Ninety Thousand Eight Hundred Eighty-Four Dollars (\$190,884). The Grant Budget, attached and incorporated herein as part of Attachment A, shall constitute the maximum amount to be provided to the Recipient by Metro for all of the Recipient's obligations hereunder. The Grant Budget line-items include, but are not limited to, all applicable taxes, fees, overhead, and all other direct and indirect costs incurred or to be incurred by the Recipient.

This amount shall constitute the Grant Amount and the entire compensation to be provided to the Recipient by Metro.

C.2. Compensation Firm. The maximum liability of Metro is not subject to escalation for any reason. The Grant Budget amount is firm for the duration of the Grant Contract and is not subject to escalation for any reason unless the grant contract is amended.

C.3. Payment Methodology. The Recipient shall be compensated for actual costs based upon the Grant Budget, not to exceed the maximum liability established in Section C.1. Upon execution of the Grant Contract and receipt of a request for payment, the Recipient may be eligible to receive reimbursement for milestones as completed based upon the Grant Budget.

a. Grant Draws

Before a draw can be made, there must be a physical inspection of the property by Metro or an approved designee. The inspection must confirm appropriate completion of the project.

1) Construction Grant Draw Schedule (% based on grant amount)

- 12.5% - upon receipt of the Building Permit (check property address and contractors name) and Builder's Risk Insurance sufficient to cover cost of construction and confirmation of acquisition (make sure Metro is listed as lien holder)
- 25% - footing framing and foundation completed (25% complete)
- 25% - roofing completed and the plumbing, electric and mechanical are roughed in and approved by local Codes (50% complete)
- 25% - cabinets, counters, drywall, trim and doors are installed (75% complete)

Balance of grant upon receipt of a Final Use & Occupancy from local Codes (100% complete).

All draw requests except for the first 12.5% draw must be inspected before funding.

The above is the preferred draw method. Metro may occasionally fund based on a true percentage of completion as noted in a Construction Inspection report or if

the application requested funds for land acquisition, understanding that the initial 12.5% or acquisition draw may overfund the grant, requiring later draws to be reduced.

2) Construction Grant Draw Process

- Draw request is received from the Recipient. It should be requested by the contractor and approved by the Recipient.
- Complete property inspection
- Metro or approved designee approves the request.
- Payments should be made to the Recipient.

All invoices shall be sent to:

Barnes Housing Trust Fund
Planning Department – Housing Division
800 2nd Avenue South
Nashville, TN 37210
(615) 862-7190

Said payment shall not exceed the maximum liability of this Grant Contract.

Final invoices for the contract period should be received by Metro Payment Services by 24 months from the execution of the grant agreement. Any invoice not received by the deadline date will not be processed and all remaining grant funds will expire.

- C.4. Close-out Expenditure and Narrative Report. The Recipient must submit a final grant Close-out Expenditure and Narrative Report, to be received by the Metropolitan Housing Trust Fund Commission / Barnes Housing Trust Fund within 45 days of the end of the Grant Contract. Said report shall be in form and substance acceptable to Metro and shall be prepared by a Certified Public Accounting Firm or the Chief Financial Officer of the Recipient Organization.
- C.5. Payment of Invoice. The payment of any invoice by Metro shall not prejudice Metro's right to object to the invoice or any matter in relation thereto. Such payment by Metro shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the costs included therein.
- C.6. Unallowable Costs. The Recipient's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by Metro, on the basis of audits or monitoring conducted in accordance with the terms of this Grant Contract, to constitute unallowable costs.
- C.7. Deductions. Metro reserves the right to adjust any amounts which are or shall become due and payable to the Recipient by Metro under this or any Contract by deducting any amounts which are or shall become due and payable to Metro by the Recipient under this or any Contract.
- C.8. Electronic Payment. Metro requires as a condition of this contract that the Recipient shall complete and sign Metro's form authorizing electronic payments to the Recipient. Recipients who have not already submitted the form to Metro will have thirty (30) days to complete, sign, and return the form. Thereafter, all payments to the Recipient, under this or any other contract the Recipient has with Metro, must be made electronically.
- C. 9. Recipient agrees and understands that procurement of goods and services for the grant project must comply with state and local law and regulations, including the Metropolitan Procurement Code. Recipient will provide Metro with all plans and specifications needed for these procurement purposes. Recipient will promptly review, and either approve or disapprove, in good faith and with reasonable grounds all estimates, amendments to scope of work, and all work performed by a contractor prior to payment.

C. 10. Public Meetings. At the reasonable request of Metro, Recipient agrees to attend public meetings, neighborhood meetings, and other events regarding this Project.

C. 11. Recognition. Any signage, printed materials, or online publications erected at the applicable Project site or elsewhere regarding the Project shall include the following language or language acceptable by Metro acknowledging that the Project is partially funded with a grant from the Barnes Fund for Affordable Housing of the Metropolitan Government of Nashville and Davidson County:

This project funded in part by the Barnes Affordable Housing Trust Fund of the Metropolitan Government of Nashville & Davidson County.

Metropolitan Housing Trust Fund Commission

John Cooper, Mayor

Metropolitan Council of Nashville and Davidson County

D. STANDARD TERMS AND CONDITIONS:

D.1. Required Approvals. Metro is not bound by this Grant Contract until it is approved by the appropriate Metro representatives as indicated on the signature page of this Grant.

D.2. Modification and Amendment. This Grant Contract may be modified only by a written amendment that has been approved in accordance with all Metro procedures and by appropriate legislation of the Metropolitan Council.

D.3. Default and Termination for Cause. Any failure by Owner to perform any term or provision of this Grant Contract shall constitute a "Default" (1) if such failure is curable within 30 days and Recipient does not cure such failure within 30 days following written notice of default from Metro, or (2) if such failure is not of a nature which cannot reasonably be cured within such 30-day period and Recipient does not within such 30-day period commence substantial efforts to cure such failure or thereafter does not within a reasonable time prosecute to completion with diligence and continuity the curing of such failure. Should the Recipient Default under this Grant Contract or if the Recipient violates any terms of this Grant Contract, Metro shall have the right to immediately terminate the Grant Contract and the Recipient shall return to Metro any and all grant monies for services or projects under the grant not performed as of the termination date. The Recipient shall also return to Metro any and all funds expended for purposes contrary to the terms of the Grant. Such termination shall not relieve the Recipient of any liability to Metro for damages sustained by virtue of any breach by the Recipient.

D.4. Subcontracting. The Recipient shall not assign this Grant Contract or enter into a subcontract for any of the services performed under this Grant Contract without obtaining the prior written approval of Metro. Notwithstanding any use of approved subcontractors, the Recipient shall be considered the prime Recipient and shall be responsible for all work performed.

D.5. Conflicts of Interest. The Recipient warrants that no part of the total Grant Amount shall be paid directly or indirectly to an employee or official of Metro as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Recipient in connection with any work contemplated or performed relative to this Grant Contract.

The Grantee also recognizes that no person identified as a Covered Person below may obtain a financial interest or benefit from a Metro Housing Trust Fund Competitive Grant assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either

for themselves or those whom they have family or business ties, during their tenure or for one year thereafter.

Covered Persons include immediate family members of any employee or board member of the Grantee. Covered Persons are ineligible to receive benefits through the Metro Housing Trust Fund Competitive Grant program. Immediate family ties include (whether by blood, marriage or adoption) a spouse, parent (including stepparent), child (including a stepbrother or stepsister), sister, brother, grandparent, grandchild, and in-laws of a Covered Person.

D.6. Nondiscrimination. The Recipient hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Grant Contract or in the employment practices of the Recipient on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification which is in violation of applicable laws. The Recipient shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.

D.7. Records. All documents relating in any manner whatsoever to the grant project, or any designated portion thereof, which are in the possession of Recipient, or any subcontractor of Recipient shall be made available to the Metropolitan Government for inspection and copying upon written request by the Metropolitan Government. Furthermore, said documents shall be made available, upon request by the Metropolitan Government, to any state, federal or other regulatory authority and any such authority may review, inspect and copy such records. Said records include, but are not limited to, all drawings, plans, specifications, submittals, correspondence, minutes, memoranda, tape recordings, videos or other writings or things which document the grant project, its design and its construction. Said records expressly include those documents reflecting the cost of construction, including all subcontracts and payroll records of Recipient.

Recipient shall maintain documentation for all funds provided under this grant contract. The books, records, and documents of Recipient, insofar as they relate to funds provided under this grant contract, shall be maintained for a period of three (3) full years from the date of the final payment. The books, records, and documents of Recipient, insofar as they relate to funds provided under this grant contract, shall be subject to audit at any reasonable time and upon reasonable notice by Metro or its duly appointed representatives. Records shall be maintained in accordance with the standards outlined in the Metro Grants Manual. The financial statements shall be prepared in accordance with generally accepted accounting principles.

D.8. Monitoring. The Recipient's activities conducted and records maintained pursuant to this Grant Contract shall be subject to monitoring and evaluation by Metro or Metro's duly appointed representatives. The Recipient shall make all audit, accounting, or financial records, notes, and other documents pertinent to this grant available for review by the Metropolitan Office of Financial Accountability, Internal Audit or Metro's representatives, upon request, during normal working hours.

D.9. Reporting. The Recipient must submit an Interim Program Report, to be received by the Metropolitan Housing Trust Commission / Barnes Housing Trust Fund, by no later than September 1, 2023 and a Final Program Report, to be received by the Metropolitan Housing Trust Fund Commission within 45 [forty-five] days of the end of the Grant Contract. Said reports shall detail the outcome of the activities funded under this Grant Contract in the form required by Metro.

D.10. Strict Performance. Failure by Metro to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this agreement shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Grant Contract shall be held to be waived, modified, or deleted except

by a written amendment by the appropriate parties as indicated on the signature page of this Grant.

- D.11. Insurance. The Recipient shall maintain adequate public liability and other appropriate forms of insurance, including other appropriate forms of insurance on the Recipient's employees, and to pay all applicable taxes incident to this Grant Contract.
- D.12. Metro Liability. Metro shall have no liability except as specifically provided in this Grant Contract.
- D. 13. Independent Contractor. Nothing herein shall in any way be construed or intended to create a partnership or joint venture between the Recipient and Metro or to create the relationship of principal and agent between or among the Recipient and Metro. The Recipient shall not hold itself out in a manner contrary to the terms of this paragraph. Metro shall not become liable for any representation, act, or omission of any other party contrary to the terms of this paragraph.
- D. 14. Indemnification and Hold Harmless.
- (a) Recipient shall indemnify, defend, and hold harmless Metro, its officers, agents and employees from any claims, damages, penalties, costs and attorney fees for injuries or damages arising, in part or in whole, from the negligent or intentional acts or omissions of Recipient, its officers, employees and/or agents, including its sub or independent contractors, in connection with the performance of the contract, and any claims, damages, penalties, costs and attorney fees arising from any failure of Recipient, its officers, employees and/or agents, including its sub or independent contractors, to observe applicable laws, including, but not limited to, labor laws and minimum wage laws.
- (b) Metro will not indemnify, defend or hold harmless in any fashion the Recipient from any claims, regardless of any language in any attachment or other document that the Recipient may provide.
- (c) Recipient shall pay Metro any expenses incurred as a result of Recipient's failure to fulfill any obligation in a professional and timely manner under this Contract.
- (d) Grantee's duties under this section shall survive the termination or expiration of the grant.
- D.15. Force Maieure. The obligations of the parties to this Grant Contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, acts of God, riots, wars, strikes, epidemics or any other similar cause.
- D.16. State, Local and Federal Compliance. The Recipient agrees to comply with all applicable federal, state and local laws and regulations in the performance of this Grant Contract.
- D.17. Governing Law and Venue. The validity, construction and effect of this Grant Contract and any and all extensions and/or modifications thereof shall be governed by and construed in accordance with the laws of the State of Tennessee. The venue for legal action concerning this Grant Contract shall be in the courts of Davidson County, Tennessee.
- D. 18 Attorney Fees. Recipient agrees that, in the event either party deems it necessary to take legal action to enforce any provision of the Grant Contract, and in the event Metro prevails, Recipient shall pay all expenses of such action including Metro's attorney fees and costs at all stages of the litigation.
- D.19. Completeness. This Grant Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Grant Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.

- D. 20. Headings. Section headings are for reference purposes only and shall not be construed as part of this Grant Contract.
- D. 21. Licensure. The Recipient and its employees and all sub-grantees shall be licensed pursuant to all applicable federal, state, and local laws, ordinances, rules, and regulations and shall upon request provide proof of all licenses. Recipient will obtain all permits, licenses, and permissions necessary for the grant project.
- D. 22. Waiver. No waiver of any provision of this contract shall affect the right of any party thereafter to enforce such provision or to exercise any right or remedy available to it in the event of any other default.
- D. 23. Inspection. The Grantee agrees to permit inspection of the project and/or services provided for herein, without any charge, by members of the Grantor and its representatives.
- D. 24. Assignment—Consent Required. The provisions of this contract shall inure to the benefit of and shall be binding upon the respective successors and assignees of the parties hereto. Except for the rights of money due to Recipient under this contract, neither this contract nor any of the rights and obligations of Recipient hereunder shall be assigned or transferred in whole or in part without the prior written consent of Metro. Any such assignment or transfer shall not release Recipient from its obligations hereunder. Notice of assignment of any rights to money due to Recipient under this Contract must be sent to the attention of the Metro Department of Finance.
- D.25. Gratuities and Kickbacks. It shall be a breach of ethical standards for any person to offer, give or agree to give any employee or former employee, or for any employee or former employee to solicit, demand, accept or agree to accept from another person, a gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation, preparations of any part of a program requirement or a purchase request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing or in any other advisory capacity in any proceeding or application, request for ruling, determination, claim or controversy in any proceeding or application, request for ruling, determination, claim or controversy or other particular matter, pertaining to any program requirement of a contract or subcontract or to any solicitation or proposal therefore. It shall be a breach of ethical standards for any payment, gratuity or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor or higher tier subcontractor or a person associated therewith, as an inducement for the award of a subcontract or order. Breach of the provisions of this paragraph is, in addition to a breach of this contract, a breach of ethical standards which may result in civil or criminal sanction and/or debarment or suspension from participation in Metropolitan Government contracts.
- D.26. Communications and Contacts. All instructions, notices, consents, demands, or other communications from the Recipient required or contemplated by this Grant Contract shall be in writing and shall be made by facsimile transmission, email, or by first class mail, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other party, facsimile number, or address as may be hereafter specified by written notice.

Metro:

For contract-related matters and enquiries regarding invoices:
 Metropolitan Housing Trust Fund Commission / Barnes Housing Trust Fund
 Planning Department – Housing Division
 800 2nd Avenue South
 Nashville, TN 37210
 (615) 862-7190
 Ashley.Brown2@Nashville.Gov

Recipient:

Project Return, Inc.
Bettie Kirkland
109 Lafayette Street
Nashville, TN 37210
615-500-0269
bkirkland@projectreturninc.org

D.27. Lobbying. The Recipient certifies, to the best of its knowledge and belief, that:

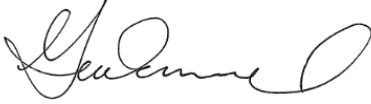
- a. No federally appropriated funds have been paid or will be paid, by or on behalf of the Recipient, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, and entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.
- b. If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this grant, loan, or cooperative agreement, the Recipient shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- c. The Recipient shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including sub-grants, subcontracts, and contracts under grants, loans, and cooperative agreements) and that all subcontractors of federally appropriated funds shall certify and disclose accordingly.

D. 28 Effective Date. This contract shall not be binding upon the parties until it has been signed first by the Recipient and then by the authorized representatives of the Metropolitan Government and has been filed in the office of the Metropolitan Clerk. When it has been so signed and filed, this contract shall be effective as of the date first written above.

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THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON
COUNTY:

APPROVED AS TO PROGRAM SCOPE:



Gina Emmanuel, Chair,
Metropolitan Housing Trust Fund
Commission

APPROVED AS TO AVAILABILITY OF
FUNDS:

Kelly Flannery, Director
Department of Finance

APPROVED AS TO FORM AND
LEGALITY:

Assistant Metropolitan Attorney

APPROVED AS TO RISK AND
INSURANCE:

Director of Risk Management Services

APPROVED BY METROPOLITAN
GOVERNMENT OF NASHVILLE AND
DAVIDSON COUNTY:

Metropolitan Clerk

RECIPIENT:

Project Return, Inc

By:



Title: Executive Director

Sworn to and subscribed to before me a
Notary Public, this 25 day
of August, 2022.

Notary Public



My Commission

expires January 11, 2022

BARNES HOUSING TRUST FUND RENTAL BUDGET

Unit Address	739 Neelys Bend Road			
Development Type	Acquisition, rehab, rental			
Accessible Bus Line Routes	WeGo 56, 23			
Number of Studios	0			
Number of 1 Bedrooms	0			
Number of 2+ Bedrooms	3			
Square Feet	2,666			
Number of Stories	2			
Acquisition Costs				
Vacant Land	0			
Land with Structure	400,000			
Title & Recording	1000			
Legal	800			
Total	401,800.00			
Predevelopment Costs				
Appraisal	1000			
Survey	0			
Relocation (if applicable)	0			
Insurance	0			
Planning/Zoning	500			
Other	2474.24			
Total	3974.24			
Construction Costs				
Structure				
Footer/Foundation	4039.50			
Exterior Stairs	425			
Fascia, Soffit, Corner Boards	3100			
Exterior Paint, Labor	6500			
Exterior Paint, Materials	1100			
Exterior Doors	5600			
Exterior Door Frames- Interior	450			
Locksets, Lever Handles, Door Hardware	350			
Windows - Energy-Star, Double Paned	19200			
Gutters & Downspouts	5900			
Security Storm Doors	2765			
Shutters	1772			

BARNES HOUSING TRUST FUND RENTAL BUDGET

Plumbing	17620.40			
Electrical	23,510.26			
HVAC	24,600			
Insulation	2031			
Interior Finishing/Cabinetry	44,518.14			
Sub-Total	163,481.30			
Other				
Site Work	1836			
Appliances	6273			
Landscaping/Driveways/Trees	16227.50			
Utility Hookups	950.67			
Building Permits/Fees	239			
Demolition	1500			
Sub-Total	27,026.17			
Profit (if organization has own construction crew)	0			
Sub-Total	0			
Total Construction Cost	190,507.47			
Cost per Unit	63,502.49			
Developer's Fee (capped at 20%)	40,000			
Total Cost/Unit	212,093.90			

BARNES HOUSING TRUST FUND RENTAL OPERATING PROFORMA

	Annual Inflation Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
REVENUE											
Gross Rent	2%	\$24600	\$25092	\$25594	\$26106	\$26628	\$27160	\$27704	\$28258	\$28823	\$29399
Vacancy Rate		\$2460	\$2509	\$2559	\$2611	\$2663	\$2716	\$2770	\$2826	\$2882	\$2940
Adjusted Gross Income		\$22140	\$22583	\$23034	\$23495	\$23965	\$24444	\$24933	\$25432	\$25941	\$26459
Other Income		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operational Subsidies		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross Income		\$22140	\$22583	\$23034	\$23495	\$23965	\$24444	\$24933	\$25432	\$25941	\$26459
Operating Expenses											
Administrative	3%	\$2214	\$2280	\$2349	\$2419	\$2492	\$2567	\$2644	\$2723	\$2805	\$2889
Maintenance/Upkeep	3%	\$1800	\$1854	\$1891	\$1929	\$1967	\$2007	\$2047	\$2088	\$2130	\$2172
Utilities/Trash		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Taxes		\$3500	\$3500	\$3500	\$3500	\$3500	\$3500	\$3500	\$3500	\$3500	\$3500
Insurance		\$1200	\$1200	\$1200	\$1200	\$1200	\$1200	\$1200	\$1200	\$1200	\$1200
Legal		\$200	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300
Advertising		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Supplies		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Exterminating		\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expense		\$9514	\$9734	\$9840	\$9948	\$10059	\$10173	\$10291	\$10411	\$10534	\$10661
Reserve for Replacement		\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Net Operating Income		\$12126	\$12348	\$12695	\$13047	\$13406	\$13771	\$14143	\$14521	\$14906	\$15298
DEBT SERVICE - Sources											
<i>BrightBridge Loan</i>		\$9708	\$9708	\$9708	\$9708	\$9708	\$9708	\$9708	\$9708	\$9708	\$9708
Total Debt Service		\$9708	\$9708	\$9708	\$9708	\$9708	\$9708	\$9708	\$9708	\$9708	\$9708
Debt Coverage Ratio		1.25	1.27	1.31	1.34	1.38	1.42	1.46	1.50	1.54	1.58
Operating Reserve (10%)		\$951	\$973	\$984	\$995	\$1006	\$1017	\$1029	\$1041	\$1053	\$1066
TOTAL CASH FLOW		\$1467	\$1667	\$2003	\$2344	\$2692	\$3046	\$3406	\$3772	\$4145	\$4524
	Annual Inflation Rate	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
REVENUE											

BARNES HOUSING TRUST FUND RENTAL OPERATING PROFORMA

Gross Rent	2%	\$29987	\$30587	\$31199	\$31823	\$32459	\$33108	\$33771	\$34446	\$35135	\$35838
Vacancy Rate		\$2999	\$3059	\$3120	\$3182	\$3246	\$3311	\$3377	\$3445	\$3513	\$3584
Adjusted Gross Income		\$26989	\$27528	\$28079	\$28640	\$29213	\$29798	\$30393	\$31001	\$31621	\$32254
Other Income		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operational Subsidies		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross Income		\$26989	\$27528	\$28079	\$28640	\$29213	\$29798	\$30393	\$31001	\$31621	\$32254
Operating Expenses											
Administrative	3%	\$2975	\$3065	\$3157	\$3251	\$3349	\$3449	\$3553	\$3659	\$3769	\$3882
Maintenance/Upkeep	3%	\$2237	\$2305	\$2374	\$2445	\$2518	\$2594	\$2672	\$2752	\$2834	\$2919
Utilities/Trash		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Taxes		\$4000	\$4000	\$4000	\$4000	\$4000	\$4000	\$4000	\$4000	\$4000	\$4000
Insurance		\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500
Legal		\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450
Advertising		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Supplies		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Exterminating		\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expense		\$11963	\$12119	\$12280	\$12446	\$12617	\$12793	\$12974	\$13161	\$13353	\$13552
Reserve for Replacement		\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
Net Operating Income		\$14426	\$14809	\$15199	\$15594	\$15996	\$16404	\$16819	\$17240	\$17668	\$18102
DEBT SERVICE - Sources											
BrightBridge Loan		\$11151	\$11151	\$11151	\$11151	\$11151	\$11151	\$11151	\$11151	\$11151	\$11151
Total Debt Service		\$11151	\$11151	\$11151	\$11151	\$11151	\$11151	\$11151	\$11151	\$11151	\$11151
Debt Coverage Ratio		1.29	1.33	1.36	1.40	1.43	1.47	1.51	1.55	1.58	1.62
Operating Reserve (10%)		\$1196	\$1212	\$1228	\$1245	\$1262	\$1279	\$1297	\$1316	\$1335	\$1355
TOTAL CASH FLOW		\$2078	\$2446	\$2820	\$3199	\$3583	\$3974	\$4371	\$4773	\$5182	\$5596

FILED

MAR 13 1979

SECRETARY OF STATE

10064 00613

CHARTER

OF

PROJECT RETURN, INC.

The undersigned natural persons, having capacity to contract and acting as the incorporators of a corporation under the Tennessee General Corporation Act, adopt the following charter for such corporation:

1. The name of the corporation is:
Project Return, Inc.
2. The duration of the corporation is perpetual.
3. The address of the principal office of the corporation in the State of Tennessee shall be:

618 Doctors Building
Nashville, Tennessee 37203

4. The corporation is not for profit.
5. The purpose or purposes for which the corporation is organized are:

To aid anyone who has a juvenile or criminal record while said ex-offender is residing in Davidson County, Tennessee, either in or out of an institution.

To provide aid and assistance to the ex-offender in the form of community support, which shall include any and all types of supplemental services, including but not limited to: housing, transportation, clothing, food, mental and physical health, legal services, educational, employment, personal counseling, treatment programs and financial.

To strengthen and enrich the Tennessee Department of Correction programs already in existence by full cooperation and coordination with the Department of Corrections, State of Tennessee.

To promote, aid and assist the development of a similar program for ex-offenders in other counties of the State of Tennessee.

To develop and promote, through any and all means, public awareness of prison and prison related problems, particularly the needs and contributions of ex-offenders upon their return to society.

1979 MAR 13 PM 12:58

10064 00614

FILED

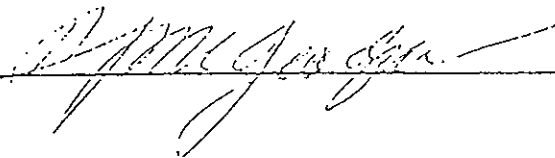
MAR 13 1979

SECRETARY OF STATE

To raise a fund for the aid and assistance of ex-offenders. The fund to be raised through various governmental grants and other donations, including charitable solicitations.

- 6. This corporation is to have not more than fifteen (15) members.
- 7. The members of this corporation shall be first selected by the incorporator to serve revolving three year terms; five members selected shall serve one year; five members shall serve two years; and, five members shall serve three years. At the expiration of each term, the remaining members elect up to five replacement members.
- 8. In the event of dissolution of this corporation, any remaining assets held by the corporation after payment of all just debts shall be distributed to one or more nonprofit corporations, as defined by the Internal Revenue Code then in effect, with similar purposes which shall be selected and designated by the Board of Directors as recipients at the time of dissolution.

Dated: March 13, 1979.



1979 MAR 13 PM 12:58



Department of the Treasury
Internal Revenue Service

P.O. Box 2508
Cincinnati OH 45201

In reply refer to: 0752857837
Feb. 27, 2014 LTR 4168C 0
62-1058325 000000 00
00022037
BODC: TE

PROJECT RETURN INC
806 4TH AVE S
NASHVILLE TN 37210



010969

Employer Identification Number: 62-1058325
Person to Contact: Customer Service
Toll Free Telephone Number: 1-877-829-5500

Dear Taxpayer:

This is in response to your Feb. 18, 2014, request for information regarding your tax-exempt status.

Our records indicate that you were recognized as exempt under section 501(c)(3) of the Internal Revenue Code in a determination letter issued in July 1980.

Our records also indicate that you are not a private foundation within the meaning of section 509(a) of the Code because you are described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

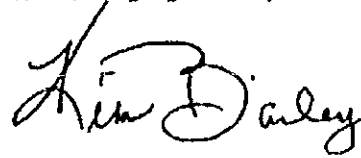
Please refer to our website www.irs.gov/eo for information regarding filing requirements. Specifically, section 6033(j) of the Code provides that failure to file an annual information return for three consecutive years results in revocation of tax-exempt status as of the filing due date of the third return for organizations required to file. We will publish a list of organizations whose tax-exempt status was revoked under section 6033(j) of the Code on our website beginning in early 2011.

0752857837
Feb. 27, 2014 LTR 4168C 0
62-1058325 000000 00
00022038

PROJECT RETURN INC
806 4TH AVE S
NASHVILLE TN 37210

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely yours,

A handwritten signature in black ink that reads "Kim D. Bailey". The signature is written in a cursive style with a large, stylized initial "K".

Kim D. Bailey
Operations Manager, AM Operations 3

EMPLOYMENT AND WRAPAROUND SERVICES

Project Return's vision is a full and free life for those returning from incarceration. To achieve this, we put a primary focus on employment, understanding that it's the number one predictor for staying free. Project Return will help you get a job. Beyond employment, we offer relationship based services and wraparound support.

- Job Readiness Preparation
- Transitional Employment
- ID Documents
- Food and Clothing Assistance
- Medical, Dental, and Vision Care Assistance
- Court Cost Assistance
- Hard Skills Certification
- Computer Lab Access
- Tools, Footwear, Clothing for Work
- Job Placement
- Housing and Class Stipends
- Money Management

To get access to the opportunities offered at Project Return, write to us from prison or simply come to our office as soon as you get out - no appointment necessary. Mon - Thurs 8:00-4:30, Fri 8:00-3:00

On the Frontline of Opportunity in 2021

By the thousands each year, people are being released from incarceration and returning to Tennessee communities. They hope to start their lives over and live productively, against greater odds than ever. **Project Return has remained on the frontline throughout the pandemic, doing the life-changing work of reentry.**

High Employment: 81% job acquisition rate

Low Recidivism: 12% one-year rate

Taxpayer Savings: \$5.6M

Sustainability: \$1.2M in earned revenue

Expansion: Nashville and Chattanooga



HIGH EMPLOYMENT

More than 8 out of 10 (423 out of 523) men and women who started at Project Return in 2021 gained employment - **an 81% job acquisition rate.** With jobs, they support themselves, contribute to their households, live productively, and create their sustainable future.

LOW RECIDIVISM

Re-incarceration is relatively rare for Project Return participants. **Our one-year recidivism rate stands at 12%** currently, compared to state and national rates that hit or exceed 50%. **This creates greater public safety and economic benefit for Tennessee.**

TAXPAYER SAVINGS

By reducing recidivism, we reduce the negative monetary impact of recidivism. In Tennessee, it costs \$31,481/year to imprison a person. Comparing Project Return's lower recidivism rate to the higher rate of the state overall, the impact of Project Return in 2021 is **\$5,597,952 in taxpayer dollars saved.**

SUSTAINABILITY

Project Return operates innovative social enterprises to create employment and housing opportunities for people who were formerly incarcerated. **Our mission-centered, revenue-generating enterprises replicate the private market, to the benefit of the people we serve.** **Our earned revenue of more than \$1.2M** in 2021 fueled Project Return's signature services and amplified our impact. Our social enterprises, combined with successful fund development, means that State dollars go further: for every \$100 invested by the State of Tennessee, Project Return raises more than \$300 to drive the successful reentry of people after incarceration.

EXPANSION

Project Return is now in two Grand Divisions! Thanks to the support of the State, and based on our track record of success, 2021 was a year of expansion, as we opened the Project Return Chattanooga operation.

PROJECT return

How do I access your services?

- Walk in or simply call
- Attend a Project Return class or write us a letter of inquiry while you are incarcerated
- Get referred by correctional institution or halfway house

Who is eligible for your services?

- A person who was convicted of a felony in the past 12 months
- A person who was serving time on a felony conviction and was released from a correctional facility within the past 12 months
- A person who was convicted of a misdemeanor, has served a minimum of 3 consecutive months in jail, and has been released in the past 12 months

How can Project Return help?

- Job Readiness Classes
- Resume Development
- Job Leads Assistance
- Employment Referrals
- Job Search Assistance
- Birth Certificate Assistance
- State ID Assistance
- Transportation Assistance for Job Search
- Tool Assistance
- Uniform Assistance
- Goal Setting and Life Coaching
- Alcohol & Drug Counseling Referrals
- Computer Literacy
- Mock Interview Practice
- Food Bags and Daily Meals
- Clothing and Food Referrals
- Medical and Mental Health Referrals
- Financial Assistance for Medical, Dental, and Vision Exams
- Housing Referrals and Assistance
- Rent/Utility (one-time) Assistance

**Ask about
PROe and PROPS!**

615.327.9654 | projectreturninc.org

109 Lafayette Street | Nashville, TN 37210



**Project Return, Inc.
Financial Statements
June 30, 2021 and 2020**

Project Return, Inc.
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June 30, 2021 and 2020

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PART I
FINANCIAL STATEMENTS



Independent Auditor's Report

To the Board of Directors
Project Return, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Project Return, Inc. ("Agency"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements (collectively, the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Return, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

June 30, 2020 Financial Statements

The financial statements of Project Return, Inc., as of and for the year ended June 30, 2020, were audited by CDPA, PC (predecessor auditors), whose partners joined Mauldin & Jenkins, LLC on July 1, 2021. Their report, dated February 11, 2021, expressed an unmodified opinion on those financial statements.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2022 on our consideration of Project Return, Inc.'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 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 Project Return, 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 Project Return, Inc.'s internal control over financial reporting and compliance.



Huntsville, AL
February 7, 2022

Project Return, Inc.
Statements of Financial Position
June 30, 2021 and 2020

	ASSETS	
	<u>2021</u>	<u>2020</u>
Current assets		
Cash	\$ 1,405,446	\$ 1,631,454
Receivables		
Financial assistance awards	202,291	214,189
Contractual agreements	550,966	32,645
Prepaid expenses	10,855	6,373
Investments	6,000	-
Inventory	63,793	-
Total current assets	<u>2,239,351</u>	<u>1,884,661</u>
Property and equipment, net	<u>3,063,756</u>	<u>1,504,973</u>
Total assets	<u>\$ 5,303,107</u>	<u>\$ 3,389,634</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 280,115	\$ 23,825
Accrued expenses and other liabilities	25,540	120,627
Long-term debt, current portion	162,919	291,202
Total current liabilities	<u>468,574</u>	<u>435,654</u>
Long-term debt, net of current portion	<u>986,772</u>	<u>982,356</u>
Total liabilities	<u>1,455,346</u>	<u>1,418,010</u>
Net assets		
Without donor restrictions	3,595,369	1,859,561
With donor restrictions	252,392	112,063
Total net assets	<u>3,847,761</u>	<u>1,971,624</u>
Total liabilities and net assets	<u>\$ 5,303,107</u>	<u>\$ 3,389,634</u>

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

Project Return, Inc.
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2021 and 2020

Changes in net assets without donor restrictions	<u>2021</u>	<u>2020</u>
Support and revenues		
Public support		
Corporate and foundation grants	\$ 1,319,469	\$ 626,126
Contributions	202,817	138,862
In-Kind	26,441	11,222
Federal and state government		
Financial assistance awards	1,565,968	1,718,730
Contractual agreements	798,521	36,975
State of Tennessee appropriation	832,000	1,408,120
Rental income	129,835	81,887
Contract services	1,023,615	1,131,379
Miscellaneous	769,541	9,619
Interest and investment income	2,424	1,547
Net assets released from restrictions	<u>46,235</u>	<u>190,134</u>
Total support and revenues	<u>6,716,866</u>	<u>5,354,601</u>
Expenses		
Program services	3,546,395	3,129,317
Management and general	1,245,558	1,043,965
Fundraising	<u>189,105</u>	<u>218,544</u>
Total expenses	<u>4,981,058</u>	<u>4,391,826</u>
Change in net assets without donor restrictions	<u>1,735,808</u>	<u>962,775</u>
Changes in net assets with donor restrictions		
Contributions	-	-
Corporate and foundation grants	186,564	30,747
Project restriction	-	6,095
Net assets released from restrictions	<u>(46,235)</u>	<u>(190,134)</u>
Change in net assets with donor restrictions	<u>140,329</u>	<u>(153,292)</u>
Total change in net assets	1,876,137	809,483
Net assets, beginning of year	<u>1,971,624</u>	<u>1,162,141</u>
Net assets, end of year	<u>\$ 3,847,761</u>	<u>\$ 1,971,624</u>

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

Project Return, Inc.
Statements of Cash Flows
For the Year Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,876,137	\$ 809,483
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	132,926	98,326
PPP Loan Forgiveness	(610,175)	-
Imputed interest	(191,271)	(31,185)
Amortization of imputed interest	45,575	25,268
Change in operating assets and liabilities		
Contribution receivable	-	100,000
Financial assistance awards receivable	11,898	(1,947)
Contractual agreements receivable	(518,321)	75,748
Prepaid expenses	(4,482)	-
Inventory	(63,793)	8,324
Accounts payable	256,290	19,370
Accrued expenses and other liabilities	(95,087)	39,202
Net cash provided by operating activities	<u>839,697</u>	<u>1,142,589</u>
 Cash flows from investing activities:		
Purchases of investments	(6,000)	-
Payments for property and equipment	(1,691,709)	(229,826)
Net cash used by investing activities	<u>(1,697,709)</u>	<u>(229,826)</u>
 Cash flows from financing activities:		
Net (payments) borrowings on line of credit	-	(200,000)
Payments on long-term debt	(49,496)	(31,671)
Proceeds from long-term debt	681,500	716,375
Net cash provided by financing activities	<u>632,004</u>	<u>484,704</u>
 Net increase (decrease) in cash	(226,008)	1,397,467
 Cash, beginning of year	<u>1,631,454</u>	<u>233,987</u>
 Cash, end of year	<u>\$ 1,405,446</u>	<u>\$ 1,631,454</u>
 Supplemental disclosures of cash flow information		
Cash payments for interest	<u>\$ 1,648</u>	<u>\$ 8,059</u>

Supplemental Disclosure of Non-Cash Financing Activity:

During the fiscal year ending June 30, 2021, the Agency met the requirements of the Paycheck Protection Program as stipulated by the Small Business Administration to have the full loan of \$610,175 fully forgiven.

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

Project Return, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2021 and 2020

NOTE 1 – GENERAL

Project Return, Inc. (the Agency) is a Tennessee not-for-profit corporation which provides counseling and the teaching of job skills to prisoners in conjunction with their release from institutional custody and return to society. The Agency is supported primarily through federal and state government financial assistance awards and contractual agreements, an appropriation from the State of Tennessee, corporate and foundation grants, and private contributions.

On February 3, 2017, the Agency formed a wholly owned limited liability company, InnoVestments, LLC (IVL), pursuant to the Tennessee Revised Limited Liability Company Act, Tenn. Code Ann. Section 48-249-101. The purpose of IVL is to own and operate real property used in the programs of the Agency. The accounts of IVL are included in this presentation and all intercompany transactions have been eliminated.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Agency. These net assets may be used at the discretion of the Agency's management and the Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein and the disclosures of commitments and contingencies. Actual results could differ from those estimates.

Contributions, Support, and Receivables

Contributions are received and recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions received and unconditional promises to give are measured at their estimated fair values and are reported as an increase in net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenues from financial awards are recognized in the period that a liability is incurred for eligible expenditures under the terms of the grant agreements. Financial assistance awards received prior to expenditure are recorded initially as grantor advances.

Contractual agreement revenues are recognized in the period the services are performed.

Project Return, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2021 and 2020

The Agency uses the allowance method to determine uncollectible receivables related to contributions and support receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance was deemed necessary as of June 30, 2021 and 2020. All receivables are classified as current as they are expected to be collected within one year.

Cash

Cash includes checking and money market deposits held by financial institutions.

Property and Equipment and Depreciation

It is the Agency's policy to capitalize all property and equipment over \$1,000. Acquisitions are recorded at cost. Donations of property and equipment are recorded as revenues at their estimated fair value. Such donations are reported as increases to net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities and the statements of functional expenses for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful lives of the assets ranging from five to thirty-nine years and computed on the straight-line method.

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Agency received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). U.S. GAAP provides companies with several alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; 2) proceeds can be treated as an income grant where they recognize a deferred income liability and derecognize the liability, and recognize income or reduce expenses, as they incur and recognize qualifying payroll and other operating costs that they estimate with reasonable assurance meet the conditions necessary for forgiveness; 3) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived; or 4) proceeds can be recognized as a liability and derecognize the liability, and recognize income, as all conditions for forgiveness are met. The Agency elected to originally treat the PPP loan as debt and the forgiveness as income. During the year ended June 30, 2021, the Agency applied for and was granted forgiveness of the loan amount and has included the forgiveness as miscellaneous income on the statement of activities and changes in net assets.

Inventory

Inventory consists of apparel and bus passes for use by individuals served by the programs of the Agency. The Agency values these inventory items at the lower of cost (using first-in, first-out method) or net realizable value.

Donated Goods and Services

Donated goods are recorded at fair value in the period the goods are received. Donated services are recognized if they create or enhance non-financial assets or the donated service requires specialized skills, was performed by the donor who possesses such skills, and would have been purchased by the Agency if not provided by the donor. Such services are recognized at fair value as support and expense in the period in which the services are performed.

Advertising

All advertising costs are expensed when incurred.

Project Return, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2021 and 2020

Functional Allocation of Expenses

The following program and supporting services classifications are included in the accompanying financial statements. Program services consist of an adult program, which provides direct referrals to employment services, educates the public regarding criminal justice issues, and supports successful transitions back into the community through life skills training.

Management and general includes the functions necessary to ensure an adequate working environment. These costs are not identifiable with a particular program or with fundraising but are indispensable to the conduct of those activities and are essential to the Agency. Specific activities include oversight, business management, budgeting, recordkeeping, financing, and other administrative activities.

Fundraising includes costs of activities directed toward appeals for financial support including special events. Other activities include the cost of solicitation, creation, and distribution of fundraising materials.

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and non-financial data or subjective methods determined by management.

Income Taxes

The Agency is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the tax laws of the state of Tennessee.

U.S. GAAP requires the Agency to evaluate tax positions taken by the Agency and recognize a tax liability (or asset) if the Agency has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Agency and has concluded that, as of June 30, 2021, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Agency is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Agency is no longer subject to U.S. federal income tax examinations by tax authorities for years ended prior to June 30, 2018.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the Agency's financial assets at June 30:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 1,405,446	\$ 1,631,454
Investments	6,000	-
Receivables	<u>753,257</u>	<u>246,834</u>
Total financial assets at year-end	<u>\$ 2,164,703</u>	<u>\$ 1,878,288</u>

Project Return, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2021 and 2020

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 89,572	\$ 76,572
Vehicles	337,787	261,095
Buildings	2,576,174	1,248,176
Construction in progress	274,019	-
Land	225,443	225,443
	<u>3,502,995</u>	<u>1,811,286</u>
Less accumulated depreciation	(439,239)	(306,313)
	<u>\$ 3,063,756</u>	<u>\$ 1,504,973</u>

Depreciation expense was \$132,926 and \$98,326 for 2021 and 2020, respectively.

NOTE 5 – LINE OF CREDIT

The Agency has a \$250,000 line of credit with a financial institution that was originated in July 2020 and matured in July 2021. Borrowings under the line bear interest at the financial institution's prime rate plus 1.25% (6.75% at June 30, 2020). Borrowings are secured by the assets of the Agency. There were no outstanding borrowings as of June 30, 2021.

NOTE 6 – LONG TERM DEBT

The Agency's long-term debt consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Note payable to CapStar Bank, monthly fixed principal payments of \$636 plus accrued interest, variable interest rate of prime less 4.0% (1.5% at June 30, 2021), all unpaid principal and interest due March 2022, collateralized by real estate. This note has been recorded net of unamortized discount of \$4,090 imputed at the rate of 4%.	\$ 153,804	\$ 159,065
Note payable to CapStar Bank, monthly installment payments of \$542, variable interest rate of prime less 4.0% (1.5% at June 30, 2021), all unpaid principal and interest due September 2022, collateralized by real estate. This note has been recorded net of unamortized discount of \$6,357 imputed at the rate of 4.5%.	130,679	128,369
Note payable to CapStar Bank, monthly fixed principal payments of \$950 plus accrued interest, variable interest rate of prime less 4.0% (1.5% at June 30, 2021), all unpaid principal and interest due November 2022, collateralized by real estate. This note has been recorded net of unamortized discount of \$13,681 imputed at the rate of 4.5%.	229,519	230,650

Project Return, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Note payable to CapStar Bank, monthly fixed principal payments of \$552 plus accrued interest, variable interest rate of prime less 4.0% (1.5% at June 30, 2021), all unpaid principal and interest due April 2026, collateralized by real estate. This note has been recorded net of unamortized discount of \$29,126 imputed at the rate of 4.5%.	135,271	-
Note payable to CapStar Bank, monthly fixed principal payments of \$600 plus accrued interest, variable interest rate of prime less 4.0% (1.5% at June 30, 2021), all unpaid principal and interest due April 2026, collateralized by real estate. This note has been recorded net of unamortized discount of \$31,678 imputed at the rate of 4.5%.	147,122	-
Note payable to Pinnacle Bank, monthly installment payments of \$486, variable interest rate of prime less 4.0% (1.5% at June 30, 2021), all unpaid principal and interest due February 2038, collateralized by real estate. This note has been recorded net of unamortized discount of \$22,409 imputed at the rate of 4.5%.	70,899	70,725
Note payable to Pinnacle Bank, monthly installment payments of \$330, variable interest rate of prime less 4.75% (1.5% at June 30, 2021), all unpaid principal and interest due February 2035, collateralized by real estate. This note has been recorded net of unamortized discount of \$25,237 imputed at the rate of 4%.	76,478	74,574
Note payable to Pinnacle Bank, monthly installment payments of \$933, variable interest rate of prime less 4.75% (1.5% at June 30, 2021), all unpaid principal and interest due July 2035, collateralized by real estate. This note has been recorded net of unamortized discount of \$119,815 imputed at the rate of 4%.	205,919	-
Note payable to Pinnacle Bank in accordance with the PPP section of the CARES Act, monthly installment payments of \$36,344, beginning November 21, 2020, bearing interest at a rate of 1%, unsecured. This note was forgiven under the CARES Act during the year ended June 30, 2021.	-	610,175
	1,149,691	1,273,558
Less current portion	(162,919)	(291,202)
	<u>\$ 986,772</u>	<u>\$ 982,356</u>

Project Return, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2021 and 2020

The following table represents future maturities of long-term debt:

<u>Year ending June 30,</u>	
2022	\$ 162,919
2023	365,543
2024	7,806
2025	8,207
2026	284,794
Thereafter	320,422
	<u>\$ 1,149,691</u>

NOTE 7 – NET ASSETS

The net assets with donor restrictions from corporate and foundation grants at June 30, 2021 are attributable to grants from various donors for specific program services or event sponsorships totaling \$252,392. There were no net assets with donor restrictions from project restrictions as a result of the Agency holding and disbursing funds on behalf of another charitable organization.

The net assets with donor restrictions from corporate and foundation grants at June 30, 2020 are attributable to grants from various donors for specific program services or event sponsorships totaling \$105,968. Net assets with donor restrictions from project restrictions are the result of the Agency holding and disbursing funds on behalf of another charitable organization totaling \$6,095.

NOTE 8 – DONATED GOODS AND SERVICES

In-kind contributions of food and supplies totaling \$26,441 and \$11,222 have been included in changes in net assets without donor restrictions in the financial statements for the years ended June 30, 2021 and 2020, respectively.

NOTE 9 – CONCENTRATIONS

Financial assistance awards, contractual agreements, and appropriations comprised 49% and 61% of the Agency’s total support and revenues for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021, there were 2 contracts that represented 27% of total revenues. At June 30, 2020, there were 2 contracts that represented 33% of total revenues. At June 30, 2021, there was one customer who represented 12% of accounts receivables. At June 30, 2020, there were 4 customers who represented 85% of accounts receivables. Contract services accounted for 15% and 22% of total support and revenues for the years ended June 30, 2021 and 2020, respectively.

Financial instruments that potentially subject the Agency to concentrations of credit risk include cash on deposit with financial institutions and receivables from financial assistance awards, contractual agreements, and support received from these agencies. Substantially all receivables for the years ended June 30, 2021 and 2020 were from these sources.

The Agency’s cash on deposit with financial institutions may at times exceed the federally insured limit of \$250,000. The Agency had cash on deposit in excess of the federally insured limit totaling approximately \$875,449 and \$1,023,000 at June 30, 2021 and 2020, respectively.

Project Return, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2021 and 2020

NOTE 10 – LEASING ARRANGEMENTS

The Agency has operating leases for office space and certain office equipment. Future estimated minimum lease payments required under these leases are as follows:

<u>Year ending June 30,</u>	
2022	\$ 777
	<u>\$ 777</u>

Rental expense for office space and office equipment was \$245,266 and \$119,976 for the years ended June 30, 2021 and 2020, respectively.

The Agency leases property to individuals served by their programs. These leases act as an affordable housing alternative for the individuals and contain various monthly payments and maturities. Rental income under these leases was \$129,835 and \$81,887 for the years ending June 30, 2021 and 2020, respectively.

NOTE 11 – COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

The Agency has received various government grants for specific purposes that are subject to review and audit by grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to grantors.

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Agency and its financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Agency operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

NOTE 12 – SUBSEQUENT EVENTS

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition and disclosure through the date of the auditors' report, which was the date the financial statements were available to be issued.

Project Return, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2021 and 2020

NOTE 14 – FUNCTIONAL EXPENSES

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs and depreciation, which are allocated on a square footage basis; and supplies and telephone costs, which are allocated based on usage estimates. For 2021 and 2020, natural expense accounts were allocated as follows:

Functional Expenses as of June 30, 2021

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Compensation and related costs				
Salaries and contract labor	\$ 2,111,218	\$ 453,431	\$ 111,135	\$ 2,675,784
Employee benefits	290,166	66,859	13,129	370,154
Payroll taxes	173,001	35,817	8,705	217,523
	<u>2,574,385</u>	<u>556,107</u>	<u>132,969</u>	<u>3,263,461</u>
Advertising	8,400	-	11,453	19,853
Aid to clients	268,781	118	-	268,899
Building maintenance	105,481	78,791	-	184,272
Dues and memberships	4,450	5,290	2,423	12,163
Equipment rental and maintenance	45,815	32,054	-	77,869
Fundraising	-	-	16,977	16,977
Insurance	49,271	12,020	2,656	63,947
Interest	41,779	-	-	41,779
Meetings	360	1,684	-	2,044
Office supplies	8,400	78,712	1,377	88,489
Postage	130	6,248	275	6,653
Printing	6,920	11,803	7,591	26,314
Professional fees	74,215	193,688	450	268,353
Program supplies	73,222	484	289	73,995
Rent	133,096	102,066	10,104	245,266
Staff development	2,617	3,824	249	6,690
Telecommunications	23,654	674	260	24,588
Travel	56,250	10,077	-	66,327
Taxes and fees	35,277	1,349	260	36,886
Miscellaneous	2,552	12,152	-	14,704
Utilities	31,340	5,491	1,772	38,603
	<u>3,546,395</u>	<u>1,112,632</u>	<u>189,105</u>	<u>4,848,132</u>
Total expenses				
Depreciation	-	132,926	-	132,926
	<u>-</u>	<u>132,926</u>	<u>-</u>	<u>132,926</u>
Total functional expenses	<u>\$ 3,546,395</u>	<u>\$ 1,245,558</u>	<u>\$ 189,105</u>	<u>\$ 4,981,058</u>

Project Return, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2021 and 2020

Functional Expenses as of June 30, 2020

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Compensation and related costs				
Salaries and contract labor	\$ 1,843,499	\$ 550,450	\$ 125,618	\$ 2,519,567
Employee benefits	236,971	88,682	15,010	340,663
Payroll taxes	152,049	43,201	9,690	204,940
	<u>2,232,519</u>	<u>682,333</u>	<u>150,318</u>	<u>3,065,170</u>
Advertising	1,456	852	5,587	7,895
Aid to clients	407,066	1,895	60	409,021
Building maintenance	37,689	39,178	-	76,867
Dues and memberships	12	4,607	1,405	6,024
Equipment rental and maintenance	28,720	17,149	-	45,869
Fundraising	-	-	30,454	30,454
Insurance	35,163	11,372	1,976	48,511
Interest	30,646	1,979	-	32,625
Meetings	1,232	4,509	845	6,586
Office supplies	7,739	67,138	386	75,263
Postage	-	4,004	242	4,246
Printing	4,011	9,886	4,444	18,341
Professional fees	64,906	126,012	4,170	195,088
Program supplies	35,037	45	-	35,082
Rent	75,223	34,360	8,448	118,031
Staff development	1,805	5,563	60	7,428
Telecommunications	18,895	2,163	529	21,587
Travel	39,993	7,469	2,412	49,874
Taxes and fees	14,568	1,176	-	15,744
Utilities	15,943	6,543	1,308	23,794
	<u>3,052,623</u>	<u>1,028,233</u>	<u>212,644</u>	<u>4,293,500</u>
Depreciation	<u>76,694</u>	<u>15,732</u>	<u>5,900</u>	<u>98,326</u>
Total functional expenses	<u>\$ 3,129,317</u>	<u>\$ 1,043,965</u>	<u>\$ 218,544</u>	<u>\$ 4,391,826</u>

PART II

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
Project Return, 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 Project Return, Inc., a nonprofit organization, which comprise the statements of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 7, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Project Return, 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 Project Return, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Project Return, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Project Return, 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 statement. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

Huntsville, AL
February 7, 2022



**Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

To the Board of Directors
Project Return, Inc.

Report on Compliance for Each Major Federal Program

We have audited Project Return, Inc. compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Project Return, Inc.'s major federal programs for the year ended June 30, 2021. Project Return, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Project Return, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Project Return, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Project Return, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Project Return, 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 June 30, 2021.

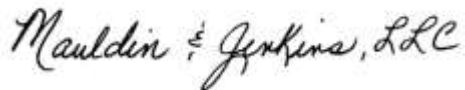
Report on Internal Control Over Compliance

Management of Project Return, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Project Return, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Project Return, Inc.'s 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Huntsville, AL
February 7, 2022

PART III

SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

Project Return, Inc.
Schedule of Expenditures of Federal Awards
June 30, 2021

<u>Grantor / Pass-Through Grantor</u>	<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
Federal Awards				
<u>Passed Through</u>				
Department of Transportation / Tennessee Department of Transportation, Nashville Metropolitan Transit Authority	Job Access Reverse Commute	20.516	40100-14020	\$ 151,295
Department of Health and Human Services Tennessee Department of Human Services	Temporary Assistance for Needy Families	93.558	34513-36321; 34513-36921	1,209,728
Tennessee Department of Mental Health and Substance Abuse Services	Opioid STR	93.788	62133	<u>30,960</u>
Total Federal Award Expenditures				<u><u>\$ 1,391,983</u></u>
State Financial Assistance				
Tennessee Department of Corrections	Direct Appropriations Grant	N/A	N/A	<u>\$ 832,000</u>
Total State Financial Assistance Expenditures				<u><u>\$ 832,000</u></u>
Total Federal Awards and State Financial Assistance Expenditures				<u><u>\$ 2,223,983</u></u>

See accompanying notes to schedule of expenditures of federal awards.

Project Return, Inc.
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the Agency under programs of the federal and state governments for the year ended June 30, 2021. 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 the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency. 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. The awards are classified into Type A and Type B categories in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Programs classified as Type A are as follows:

Temporary Assistance for Needy Families

Federal CFDA Numbers

Catalog of Federal Domestic Assistance (CFDA) numbers are assigned to contracts and grants on the basis of program type. Pass-through numbers and CFDA numbers are presented where available.

NOTE 2 – LOANS OUTSTANDING

The Agency has no federal or state loans outstanding as of June 30, 2021.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For purposes of the Schedule, expenditures for federal award programs are recognized on the accrual basis of accounting. Expenditures for federal awards 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. The Agency has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Project Return, Inc.
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2021

**NOTE 4 – RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS TO THE STATEMENT OF ACTIVITIES AND CHANGES IN
NET ASSETS**

The following schedule is a reconciliation of total federal expenditures as shown on the Schedules to the revenue items shown as contributions and grants and contracts on the Statement of Activities and Changes in Net Assets for the year ended June 30, 2021, which is included in Project Return, Inc.'s basic financial statements.

Financial Assistant Awards	\$ 1,565,968
Contractual Agreements	798,521
Non-federal grants and contracts	<u>(972,506)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,391,983</u>

PART IV

SCHEDULES OF FINDINGS AND QUESTIONED COSTS

Project Return, Inc.
Schedule of Findings and Questioned Costs
June 30, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___ yes	_x_ no
Significant deficiency(ies) identified?	___ yes	_x_ none reported
Noncompliance material to financial statements noted?	___ yes	_x_ no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	___ yes	_x_ no
Significant deficiency(ies) identified?	___ yes	_x_ none reported

Type of auditor’s report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes	_x_ no
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Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.558	Temporary Assistance for Needy Families

Threshold used to determine Type A and Type B Programs:	\$ 750,000
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Auditee qualified as low-risk auditee?	_x_ yes	___ no
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Section II – Financial Statement Findings

The audit did not disclose any financial statement findings required to be reported.

Section III – Federal Award Findings and Questioned Costs

The audit did not disclose any findings or questioned costs required to be reported.

Project Return, Inc.
Schedule of Prior Year Findings and Questioned Costs

No matters were reported.