

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS

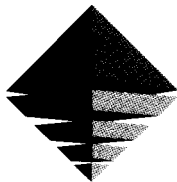
FEBRUARY 28, 2005

(With Independent Auditors' Report Thereon)

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
FINANCIAL STATEMENTS
FEBRUARY 28, 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Cerebral Palsy of Middle Tennessee, Inc.

We have audited the accompanying statements of financial position of United Cerebral Palsy of Middle Tennessee, Inc. (a nonprofit organization) as of February 28, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Cerebral Palsy of Middle Tennessee, Inc. as of February 28, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7 to the financial statements, beginning net assets have been restated for the year ended February 28, 2005.

Akerslout, Patterson & Associates, P.L.L.C.

August 29, 2005

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
STATEMENT OF FINANCIAL POSITION
FEBRUARY 28, 2005

ASSETS

Current Assets:		
Cash	\$	207,638
Receivables		7,680
Inventory		<u>132,337</u>
Total current assets	\$	347,655
Property and Equipment, net		446,496
Other Assets		<u>5,060</u>
	\$	<u><u>799,211</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Current installments of note payable	\$	6,017
Accounts payable		8,845
Accrued expenses		25,226
Deferred revenue		<u>25,000</u>
Total current liabilities	\$	65,088
Note payable, less current installments		<u>114,192</u>
		<u>179,280</u>
Net Assets:		
Unrestricted		578,306
Unrestricted - board-designated		<u>13,675</u>
Total unrestricted		591,981
Temporarily restricted		<u>27,950</u>
		<u>27,950</u>
Total net assets		<u>619,931</u>
	\$	<u><u>799,211</u></u>

See accompanying notes to financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenues:				
Public Support:				
Contributions	\$ 45,246	\$ 16,500	\$ -	\$ 61,746
Revenues:				
Grants	196,133	-	-	196,133
Special events income	274,254	-	-	274,254
Rental income	20,400	-	-	20,400
In-kind donations	303,162	-	-	303,162
Investment and interest income	640	-	-	640
Total revenues	794,589	-	-	794,589
Total public support and revenues	839,835	16,500	-	856,335
Expenses and Losses:				
Program Services:				
Barry Dean Fulton	17,508	-	-	17,508
Burch Special Needs	602	2,510	-	3,112
Equipment Exchange	345,284	-	-	345,284
Clinic Education and Referral	19,441	-	-	19,441
Educational Travel	24,209	-	-	24,209
Partners in Policymaking	28,273	-	-	28,273
Project Airwaves	13,009	-	-	13,009
Youth Leadership	11	-	-	11
Home Access	207,302	-	-	207,302
Recreation	37,640	-	-	37,640
Public Education	24,902	-	-	24,902
Total program services	718,181	2,510	-	720,691
Supporting Services:				
Management and general	71,854	-	-	71,854
Fundraising	110,355	-	-	110,355
Total supporting services	182,209	-	-	182,209
Total program and supporting expenses	900,390	2,510	-	902,900
Increase (decrease) in net assets	(60,555)	13,990	-	(46,565)

See accompanying notes to financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2005

Net assets - beginning of year as previously reported	\$ 666,496	\$ -	\$ -	\$ 666,496
Prior period adjustment	<u>(13,960)</u>	<u>13,960</u>	<u>-</u>	<u>-</u>
Net assets - beginning of year, as restated	<u>652,536</u>	<u>13,960</u>	<u>-</u>	<u>666,496</u>
Net assets - end of year	<u>\$ 591,981</u>	<u>\$ 27,950</u>	<u>\$ -</u>	<u>\$ 619,931</u>

See accompanying notes to financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Program Services									
	Barry Dean	Burch	Equipment	Clinic Education	Educational	Partners in	Project	Youth		
	Fulton	Special Needs	Exchange	and Referral	Travel	Polymaking	Airwaves	Leadership		
Accounting services	\$ 63	\$ -	1,248	\$ -	225	\$ 114	\$ 133	229	\$ -	
Bank charges	-	-	-	-	-	-	-	-	-	
Client assistance	11,526	2,510	-	-	-	14,720	7,226	-	-	
Depreciation	241	46	4,801	863	438	513	881	-	4	
Dues	100	19	2,191	358	182	213	366	-	2	
Fees and licenses	5	-	102	18	9	11	19	-	-	
Food	10	2	188	34	819	20	35	-	-	
Hotel and lodging	-	-	-	-	-	7,379	-	-	-	
In-kind donations	-	-	282,209	-	-	-	-	-	-	
Insurance	383	73	8,911	1,366	694	812	1,396	-	5	
Interest	-	-	-	-	-	-	-	-	-	
Internet	18	4	366	66	33	39	67	-	-	
Loss on sale of assets	-	-	1,208	-	-	-	-	-	-	
Mileage and travel	8	-	2,583	3	1,336	2	3	-	-	
Payroll expenses	2,003	429	34,722	16,045	4,263	4,623	9,614	-	-	
Postage	9	-	200	33	17	61	33	-	-	
Printing	33	6	666	120	61	1,288	122	-	-	
Professional services	-	-	1,133	-	1,402	5,737	-	-	-	
Property tax	-	-	-	-	-	-	-	-	-	
Rent - storage	-	-	1,800	-	-	-	-	-	-	
Repairs and maintenance	3,023	-	686	-	-	-	-	-	-	
Special events	-	-	-	-	-	-	-	-	-	
Supplies - office	22	4	436	78	40	47	80	-	-	
Supplies - other	23	-	1,021	86	7	82	15	-	-	
Telephone	39	7	767	138	70	82	141	-	-	
Training	2	-	46	8	4	5	8	-	-	
Utilities	-	-	-	-	-	-	-	-	-	
Total program and supporting services \$	17,508	\$ 3,112	\$ 345,284	\$ 19,441	\$ 24,209	\$ 28,273	\$ 13,009	\$	11	

See accompanying notes to financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Program Services				Supporting Services			Total Expenses
	Home Access	Recreation	Public Education	Total Program Services	Management and General	Fundraising		
Accounting services	\$ 943	\$ 406	\$ 461	\$ 3,834	\$ 723	\$ 835	\$ 5,392	
Bank charges	-	-	-	-	215	-	215	
Client assistance	112,519	14,471	-	162,972	-	-	162,972	
Depreciation	3,627	1,560	1,773	14,747	2,776	3,627	21,150	
Dues	1,635	648	736	6,450	1,154	1,683	9,287	
Fees and licenses	77	408	38	687	227	117	1,031	
Food	367	61	69	1,605	107	2,646	4,358	
Hotel and lodging	-	-	-	7,379	-	-	7,379	
In-kind donations	-	-	-	282,209	-	-	282,209	
Insurance	6,770	2,470	2,809	25,689	3,079	5,087	33,855	
Interest	-	-	-	-	9,640	-	9,640	
Internet	276	119	135	1,123	212	293	1,628	
Loss on sale of assets	-	-	-	1,208	-	-	1,208	
Mileage and travel	849	5	5	4,794	6	194	4,994	
Payroll expenses	35,937	16,091	17,689	141,416	30,981	35,248	207,645	
Postage	138	220	67	778	108	901	1,787	
Printing	503	216	246	3,261	387	6,182	9,830	
Professional services	-	235	297	8,804	4,471	12,217	25,492	
Property tax	-	-	-	-	11,327	-	11,327	
Rent - storage	-	-	-	1,800	-	-	1,800	
Repairs and maintenance	393	-	-	4,102	35	-	4,137	
Special events	-	-	-	-	-	676	676	
Supplies - office	329	142	161	1,339	283	565	2,187	
Supplies - other	42,325	324	116	43,999	.362	39,542	83,903	
Telephone	579	249	283	2,355	290	512	3,157	
Training	35	15	17	140	28	30	198	
Utilities	-	-	-	-	5,443	-	5,443	
Total program and supporting services \$	207,302	\$ 37,640	\$ 24,902	\$ 720,691	\$ 71,854	\$ 110,355	\$ 902,900	

See accompanying notes to financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 28, 2005

Cash Flows From Operating Activities:

Decrease in net assets	\$ (46,565)
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Adjustments to reconcile decrease in net assets
to net cash provided by operating activities:

Depreciation	\$	21,150
Loss on sale of investments		1,209
Contract labor		1,000
Changes in:		
Receivables		69,645
Unconditional promises to give		7,079
Inventory		(20,954)
Accounts payable		(28,436)
Deferred revenue		25,000
Accrued expenses		<u>6,525</u>
Total adjustments		<u>82,218</u>
Net cash provided by operating activities		35,653

Cash Flows From Investing Activities:

Payments on note payable	<u>(4,381)</u>	
Net cash used in investing activities		<u>(4,381)</u>

Net increase in cash	31,272
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Cash - beginning of year	<u>176,366</u>
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Cash - end of year	<u>\$ 207,638</u>
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Supplemental Cash Flows Information

Total interest paid for the year ended February 28, 2005, was \$9,640.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE 1 - Summary of Significant Accounting Policies

a. Nature of Activities

United Cerebral Palsy of Middle Tennessee, Inc., a locally governed affiliate of the national organization, United Cerebral Palsy Association, is a nonprofit organization, which was organized on May 23, 1985, to advance the independence and full citizenship of people with all types of disabilities. The Organization's mission is to affect positively, through providing unique assistance, the quality of life of physically disabled persons and their families in Middle Tennessee. Virtually all of the Organization's revenues and support for the year ended February 28, 2005, was from the general public.

b. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. 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 Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

c. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted cash, certificates of deposit and investment instruments purchased with original maturities of three months or less to be cash equivalents. At February 28, 2005, the Organization had no cash equivalents.

d. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

e. Grants Receivable and Revenues

The Organization receives several grants from the State of Tennessee. Most of these grants require the submission of reimbursement requests before funds are disbursed. Grant revenue is recognized as these expenses are incurred. At February 28, 2005, the Organization's total grants receivable was \$5,261.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE 1 - Summary of Significant Accounting Policies (continued)

e. Grants Receivable and Revenues (continued)

The Organization was also owed \$1,211 from the American Society of Composers, Authors & Publishers (ASCAP) that is responsible for the Organization's annual golf tournament. ASCAP organizes a golf tournament that benefits the Organization and other not-for-profits and remits the net proceeds to the appropriate organizations.

The Organization also receives a grant from the Tennessee Housing Development Agency (THDA). The Organization subcontracts for wheelchair ramps to be built and then requests payment from THDA for these ramps. The subcontractor must submit to the Organization a package of paperwork after the ramp is complete. It is the Organization's accounting policy not to submit the request to the State until the subcontractor has fulfilled its paperwork obligation. On occasion, paperwork has been submitted sometime after the ramp is complete. Because of this unique policy, the Organization recognizes revenue from this grant when the reimbursement request is sent to the State.

f. Inventory

Inventory consists of equipment to be used in the Equipment Exchange program and is stated at cost.

g. Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred. It is the Organization's policy to capitalize purchases of fixed assets with a value of \$500 or more.

h. Income Tax Status

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and the Association is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

i. Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

j. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE 1 - Summary of Significant Accounting Policies (continued)

k. Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments. The fair value of the note payable approximates the carrying amount and is estimated based on current rates offered to the Organization.

l. Concentration of Credit Risk

At February 28, 2005, and at various times through the year, the Organization had cash balances with banks exceeding \$100,000, which is the maximum insured by the Federal Deposit Insurance Corporation.

m. Advertising

Advertising is expensed as incurred.

NOTE 2 - Property and Equipment

Property and equipment at February 28, 2005, consists of the following:

Building	\$ 363,648
Furniture and equipment	17,824
Computers	10,000
Improvements	113,067
Vehicles	<u>10,717</u>
	515,256
Less: accumulated depreciation	<u>(68,760)</u>
	<u>\$ 446,496</u>

NOTE 3 - Donated Equipment

The Organization receives a significant amount of donated equipment used in its Equipment Exchange program and in its operations. The revenue recognized for the year ended February 28, 2005, for donated equipment was \$303,162.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE 4 - Note Payable

The Organization has a note payable to a bank in the amount of \$120,209, payable in monthly installments of \$1,168 including interest at 6.9%, through maturity in January 2008. The note is collateralized by a building.

The following is a schedule of future maturities:

<u>Year ending</u> <u>February 28,</u>	<u>Amount</u>
2006	\$ 6,017
2007	6,445
2008	<u>107,747</u>
	120,209
Less: current installments	<u>(6,017)</u>
	<u>\$114,192</u>

NOTE 5 - Deferred Revenue

The Organization received \$25,000 during the fiscal year ended February 28, 2005, for a program that will be conducted during the fiscal year ended February 28, 2006. This amount has been recorded as deferred revenue on the Statement of Financial Position.

NOTE 6 - Board Designated Assets

In 1995, the Board of Directors designated \$13,675 to be used as an Endowment Fund. The Board intended this amount to remain permanently in the Endowment fund, and any interest income generated by this amount is to be unrestricted.

NOTE 7 - Temporarily Restricted Assets

The Burch family started a fund for persons of multiple births in which one or more of the persons has Cerebral Palsy and lives in the Franklin, Tennessee, community. Each year the family makes a restricted donation and those funds are used for medical equipment, therapy and other needs of the qualified applicants. Total temporarily restricted net assets at February 28, 2005, is \$27,950.

NOTE 8 - Prior Period Adjustment

The Organization understated temporarily restricted net assets for the Burch family donation for the year ended February 29, 2004, by \$13,960. Consequently, the correction has been reflected as a prior period adjustment on the audited financial statements for the year ended February 28, 2005.