

TENNESSEE DISABILITY COALITION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

(With Independent Auditors' Report Thereon)

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Farmer & Associates, PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tennessee Disability Coalition
Nashville, Tennessee

I have audited the accompanying statement of financial position of the Tennessee Disability Coalition (a nonprofit corporation) as of June 30, 2008, 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. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of the Tennessee Disability Coalition as of June 30, 2007 were audited by another auditor who has ceased operations. The auditor expressed an unqualified opinion on those financial statements in their report dated December 19, 2007.

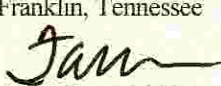
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Disability Coalition as of June 30, 2008 and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have issued my report dated December 24, 2008 on my consideration of the Tennessee Disability Coalition's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of the Tennessee Disability Coalition taken as a whole. The accompanying Schedule of Federal and State Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Franklin, Tennessee

 & Associates, PLLC
December 24, 2008

TENNESSEE DISABILITY COALITION
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

ASSETS	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	\$ 763,079	\$ 1,384,411
Grants receivable (government)	319,575	443,649
Grants receivable (other)	9,552	1,667
Accounts receivable	34,345	39,889
Prepaid expense	25,868	1,261
Total Current Assets	1,152,419	1,870,877
MORTGAGES RECEIVABLE	20,475	23,272
PROPERTY AND EQUIPMENT		
Building	1,158,152	637,205
Land	250,000	250,000
Furniture and equipment	139,132	130,643
Less accumulated depreciation	140,178	120,314
Total Property and Equipment	1,407,106	897,534
OTHER ASSETS		
Security deposit	5,993	5,993
Total Other Assets	5,993	5,993
Total Assets	\$ 2,585,993	\$ 2,797,676
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 18,777	\$ 70,708
Accrued expenses	65,507	53,940
Deferred revenue	-	6,678
Mortgage payable - current portion	28,232	25,766
Total Current Liabilities	112,516	157,092
MORTGAGE PAYABLE - noncurrent portion	612,320	640,128
Total liabilities	724,836	797,220
NET ASSETS		
Unrestricted	1,770,802	1,910,101
Temporarily restricted	90,355	90,355
Total Net Assets	1,861,157	2,000,456
Total Liabilities and Net Assets	\$ 2,585,993	\$ 2,797,676

See notes to financial statements.

TENNESSEE DISABILITY COALITION
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Changes in unrestricted net assets:		
Support and revenue:		
Government grants	\$ 2,200,348	2,078,884
Family Voices grants - non government	9,688	9,216
ADA grants - non government	10,000	26,161
Systems Change grant - non government	-	2,400
TMHCA grant - non government	-	24,091
Professional service revenue	3,750	7,200
Contributions	31,622	18,156
Interest	24,836	53,079
Allocation - marriage license fees	679,766	690,478
Rental income	86,850	-
Membership dues	2,410	2,990
Miscellaneous	1,589	6,588
Net assets released from temporary restrictions	-	116,742
Total support and revenue	3,050,859	3,035,985
Expenses:		
Program Services		
ADA	50,682	28,342
Advocacy	1,195,744	867,983
Family Voices	213,655	219,455
Benefits To Work	213,586	170,273
Traumatic Brain Injury	129,545	129,785
TMHCA - Consumer Family Support / Peer Center	449,735	448,557
Systems Change grant - Public Policy / Vote Project	406,783	349,206
Fundraising	-	-
Management and General	530,429	397,300
Total expenses	3,190,158	2,610,901
Increase (decrease) in unrestricted net assets	(139,299)	425,084
Changes in temporarily restricted net assets		
CCHD grant - non governmental	-	14,684
Net assets released from temporary restrictions	-	116,742
Increase (decrease) in temporarily restricted net assets	-	(102,058)
Total increase (decrease) in net assets	(139,299)	323,026
Net assets, beginning of year	2,000,456	1,677,430
Net assets, end of year	\$ 1,861,157	\$ 2,000,456

See notes to financial statements.

TENNESSEE DISABILITY COALITION
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

2008

	ADA	Advocacy	Family Voices	Benefits to Work	Traumatic Brain Injury	TMHCA Consumer Family Support / Peer Center	Systems Change Public Policy Vote Project	Total Program Expense	Management and General	Total Expense
Salaries	12,538	520,647	107,103	162,640	75,048	-	169,592	1,047,568	204,183	1,251,751
Employee benefits	2,122	17,682	12,032	12,032	15,413	-	21,720	165,805	27,632	191,437
Payroll taxes	870	94,856	9,213	13,402	6,036	-	13,216	85,747	16,757	102,504
Contractual services	-	43,010	17,035	-	1,067	-	19,583	37,685	-	37,685
Professional services	100	8,180	3,651	703	587	323,134	88,832	425,187	34,798	459,985
Supplies	137	11,783	1,973	588	1,876	17,758	6,692	40,807	20,332	61,129
Communications	284	27,066	7,745	4,387	2,457	13,953	4,139	19,546	19,546	79,577
Printing	231	3,074	1,948	1,398	4,237	7,600	27,136	45,624	3,315	48,939
Postage	94	1,864	406	466	342	2,052	8,108	13,332	1,684	15,016
Rent	1,053	50,023	3,878	-	6,835	21,219	12,943	95,951	142,215	142,215
Insurance	-	-	-	-	-	13,578	-	13,578	38,819	38,819
Travel	1,010	102,996	38,881	17,390	9,251	40,931	9,994	220,451	32,274	231,272
Conferences	243	1,602	4,159	570	6,167	6,591	18,371	37,703	240	40,977
Equipment lease and maintenance	-	-	-	-	162	650	-	947	-	1,187
Building repairs and maintenance	-	-	-	-	-	-	-	-	2,387	2,387
Property tax	-	-	-	-	-	-	-	-	9,161	9,161
Intercity	-	-	-	-	-	-	-	-	51,233	51,233
Family stipends	-	-	-	-	-	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-
License and permits	-	-	-	-	-	-	-	-	-	-
Contributions	32,000	-	-	-	-	-	-	-	-	-
Utilities	-	930	-	-	66	2,269	-	3,265	450	3,715
Back ground checks	-	-	-	10	-	-	-	10	-	10
Construction costs - non capitalized	-	-	-	-	-	-	-	-	-	-
Bad debt	-	325,979	-	-	-	-	-	325,979	-	325,979
Miscellaneous	-	3,597	-	-	-	-	-	3,597	2,506	6,103
Depreciation	-	-	-	-	-	-	-	-	38,426	38,426
	\$ 50,682	\$ 1,195,744	\$ 213,655	\$ 213,596	\$ 129,545	\$ 449,735	\$ 406,783	\$ 2,659,727	\$ 530,429	\$ 3,190,156

2007

	ADA	Advocacy	Family Voices	Benefits to Work	Traumatic Brain Injury	TMHCA Consumer Family Support / Peer Center	Systems Change Public Policy Vote Project	Total Program Expense	Management and General	Total Expense
Salaries	12,538	538,425	107,722	109,017	72,840	-	157,046	997,590	185,877	1,183,467
Employee benefits	2,020	89,473	19,991	6,434	15,847	-	20,119	151,884	35,821	189,705
Payroll taxes	883	43,440	9,431	9,621	5,730	-	12,357	81,462	14,608	96,070
Contractual services	8,325	-	27,695	-	-	-	19,000	55,020	-	55,020
Professional services	309	3,440	-	-	772	324,748	55,955	385,215	43,180	428,395
Supplies	481	11,960	6,803	27,400	6,182	19,881	13,167	85,874	9,220	95,094
Communications	270	24,994	6,136	3,727	2,313	12,392	3,463	53,205	6,018	59,223
Printing	411	1,346	2,532	1,960	3,519	4,949	22,211	36,938	2,314	39,242
Postage	200	1,226	993	209	301	2,738	7,595	12,962	1,823	14,785
Rent	1,035	46,704	6,560	-	6,887	17,865	10,923	89,983	28,946	118,929
Insurance	-	-	-	-	-	17,907	-	17,907	22,636	40,543
Travel	1,246	98,630	26,825	10,654	7,705	43,380	10,845	199,285	2,429	201,714
Conferences	80	850	2,443	1,124	6,765	982	10,964	23,208	5,317	28,525
Equipment lease and maintenance	13	2,953	43	2	163	927	26	4,127	214	4,341
Interest	-	-	-	-	-	-	-	-	30,561	30,561
Family stipends	540	-	2,247	-	300	-	-	2,547	-	2,547
Dues and subscriptions	-	-	25	35	-	-	-	3,583	752	4,335
License and permits	-	-	-	-	310	3	-	3,163	1,418	4,581
Contributions	-	-	-	-	-	-	2,850	-	300	300
Utilities	-	4,632	-	10	151	2,785	-	7,578	-	7,578
Back ground checks	-	-	-	80	-	-	-	80	-	80
Construction costs - non capitalized	-	-	-	-	-	-	-	-	2,575	2,575
Depreciation	-	-	-	-	-	-	-	-	3,291	3,291
	\$ 28,342	\$ 867,983	\$ 219,455	\$ 170,273	\$ 129,785	\$ 448,557	\$ 349,206	\$ 2,213,601	\$ 397,300	\$ 2,610,901

See notes to financial statements.

**TENNESSEE DISABILITY COALITION
COMPARATIVE STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 139,299	\$ 323,026
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
Depreciation	38,426	3,291
(Increase) decrease in grants receivable	116,189	(323,510)
(Increase) decrease in contract receivable	-	172,454
(Increase) decrease in accounts receivable	5,544	(37,850)
(Increase) decrease in prepaid expense	(24,606)	20,075
(Increase) decrease in mortgages receivable	2,797	2,633
(Increase) decrease in security deposits	-	(3,275)
Increase (decrease) in accounts payable	(51,931)	61,880
Increase (decrease) in other accrued liabilities	11,567	(80,738)
Increase (decrease) in deferred revenue	(6,678)	(8,006)
Total adjustments	<u>91,308</u>	<u>(193,046)</u>
Net Cash Provided (Used) by Operating Activities	<u>(47,991)</u>	<u>129,980</u>
Cash Flows From Investing Activities		
Acquisition of plant, property, and equipment	<u>(547,999)</u>	<u>(888,205)</u>
Net Cash Used by Investing Activities	<u>(547,999)</u>	<u>(888,205)</u>
Cash Flows From Financing Activities		
Net borrowings (payments) mortgage payable	<u>(25,342)</u>	<u>665,894</u>
Net Cash Provided (Used) by Financing Activities	<u>(25,342)</u>	<u>665,894</u>
Increase (decrease) in cash	(621,332)	(92,331)
Cash, beginning of year	<u>1,384,411</u>	<u>1,476,742</u>
Cash, end of year	<u>\$ 763,079</u>	<u>\$ 1,384,411</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 51,233</u>	<u>\$ 30,561</u>

See notes to financial statements.

TENNESSEE DISABILITY COALITION
NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follow:

1. Nature of Organization. The Tennessee Disability Coalition is a nonprofit corporation created to insure that persons with disabilities in Tennessee have comprehensive and appropriate services available to them and in close proximity to them.
2. Basis of Presentation. The Tennessee Disability Coalition reports its information regarding its financial position and activities in accordance with the Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions. In addition, the Corporation reports information regarding contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. In prior years, the Tennessee Disability Coalition sold homes to qualified buyers in the HOPE3 home ownership program. Payments received toward mortgages financing the purchases of those homes, held by the Coalition, are restricted for other HUD projects. For the year ended June 30, 2008, the balance of temporarily restricted net assets is \$ 90,355 which is the total amount of mortgage outstanding and paid to the Tennessee Disability Coalition.
3. Basis of Accounting. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.
4. Cash Equivalents. The Organization considers all highly liquid investments and certificates of deposits with original maturities of three months or less, to be cash equivalents.
5. Revenue and Support. The Tennessee Disability Coalition receives much of its income from grants from the State of Tennessee Department of Finance and Administration, Division of Mental Retardation Services, the Tennessee Department of Health, Division of Health Services Administration, from the State of Tennessee, Department of Education, Division of Special Education, and from the Tennessee Department of Mental Health and Developmental Disabilities (TDMHDD), Division of Recovery Services. The Tennessee Disability Coalition also receives grant monies from the U.S. Department of Health and Human Services and from the Social Security Administration. The Corporation records income from these grants in the period that the applicable expenditures are incurred.
6. Contributions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.
7. Donated Services. Unpaid volunteers make contributions of time in various administrative, fund-raising, and program functions. The value of contributed time is not reflected in the financial statements as it is not susceptible to an objective measurement or valuation.

TENNESSEE DISABILITY COALITION
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

8. Property and Equipment. Property and equipment are carried at cost. Donated equipment is recorded at market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, presently five to forty years. Certain equipment has been purchased, in part, with grant funds and is subject to return to the grantor either upon its ultimate disposition or for failure to comply with the terms and conditions of the grant contract for the useful life of the equipment.
9. Functional Allocation of Expenses. The costs of providing the various programs and other activities 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.
10. Estimates. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
11. Income Taxes. The Tennessee Disability Coalition is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and therefore no provision has been made for federal income taxes in the accompanying financial statements.
12. Pension Plan. The Tennessee Disability Coalition maintains a retirement plan for its employees who have completed one year of employment. Contributions to the plan are based on the employees' gross salaries, and employees can contribute themselves to the plan. The costs of this employee benefit plan are charged to expense and total \$25,792 and \$22,122 for the year ended June 30, 2008 and 2007 respectively.

NOTE B – GRANTS RECEIVABLE (GOVERNMENT):

The Tennessee Disability Coalition is due grant monies from State and Federal agencies for the following:

<u>Agency</u>	<u>Program Activity</u>	<u>Amount</u>
U.S. Department of Health and Human Services:	Health Care Information / Education for Families of Children with Special Needs	\$ 17,147
State of Tennessee – Department of Health:	Newborn Hearing	22,594
	Traumatic Brain Injury	29,047
State of Tennessee – Division of Mental Retardation Services:	Advocacy	64,192
Tennessee Mental Health & Developmental Disabilities:	Consumer Family Support/ Peer Support Center	98,955
State of Tennessee – Department of Education:	Special Education Improvement	27,206
Social Security Administration:	Benefits To Work	60,434
	Total	<u>\$ 319,575</u>

TENNESSEE DISABILITY COALITION
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE C – GRANTS RECEIVABLE (OTHER):

The Tennessee Disability Coalition is due monies from Syracuse University in the amount of \$1,667 ADA expenditures, \$7,266 from the Vanderbilt Lend Grant, and \$619 from other entities' incurred in the year ended June 30, 2008 for a total of \$9,552.

NOTE D – ACCOUNTS RECEIVABLE:

The Tennessee Disability Coalition is due monies from other agencies that share office space and office services with the Coalition in the amount of \$35,032 as well as monies due to employees (\$687) for a net of \$34,345, of which \$30,369 is due from TMHCA-Corporate for program expenditures not reimbursed by the TMHCA grant. These agencies include the Autism Society of Middle Tennessee, Brain Injury Association of Tennessee, Center for Independent Living, Community Shares of Tennessee, the Tennessee Mental Health Consumer Association and Support and Training for Exceptional Parents.

NOTE E – MORTGAGES RECEIVABLE:

In prior years, the Tennessee Disability Coalition sold homes to qualified buyers in the Hope3 home ownership program. The Coalition holds the second mortgages at a zero interest rate to the buyers. Payments received toward these mortgages are temporarily restricted for other HUD projects, and it is the intent of the Coalition to remit these monies to HUD as they are collected.

NOTE F – MORTGAGE PAYABLE:

The Coalition has a mortgage payable to Regions Bank of \$640,552 and \$665,894 as of June 30, 2008 and 2007 respectively payable in monthly installments of \$6,381 including interest at 7.7%. The final payment is due November 2021. The office building at 955 Woodland Street, Nashville, TN collateralizes the mortgage.

Aggregate mortgage payable maturities are as follows for the next five years ended June 30:

2009	\$ 28,232
2010	30,484
2011	32,916
2012	35,542
2013 and thereafter	<u>513,378</u>
Total	<u>\$ 640,552</u>

NOTE G – ALLOCATION OF MARRIAGE LICENSE FEES:

Effective July 1, 2002, the Tennessee Disability Coalition was to receive a portion of the marriage license fees collected by the State of Tennessee. The Coalition received \$679,766 and \$690,478 for the years ended June 30, 2008 and 2007 respectively.

NOTE H – CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist of their grants receivable. The grant receivable represents concentration of credit risk to the extent that they are received from concentrated sources. The Corporation receives a substantial amount of its support from governmental grants. A significant reduction in the levels of this support, if this was to occur, could have an effect on the Corporation's programs and activities. Based on the upcoming fiscal year's budget, the funding is expected to continue for the current year to meet budgeted expenditures.

TENNESSEE DISABILITY COALITION
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE H – CONCENTRATION OF CREDIT RISK, continued:

All of the Coalition's cash is held in one financial institution. The Federal Deposit Insurance Corporation (FDIC) insures aggregate deposits up to \$100,000 per bank per depositor. At June 30, 2008 and 2007 deposits exceeded this limit by approximately \$663,000 and \$1,284,000 respectively.

NOTE I – QUESTIONED COSTS/ CONTINGENCIES:

Questioned costs are those amounts charged to a funded program that may not be in compliance with requirements set forth in contracts, statutes, and regulations governing allowability or eligibility. A questioned cost may not be reimbursed by the State of the State agency may require that the funds already expended be refunded back to the State. These amounts can be "questioned" by the State for the specific grant to which they apply. The determination as to whether such costs will be allowed or disallowed under the grants will be made by the individual grantor agencies at a later time. No liability is needed as of June 30, 2007 for these costs as no determination has been made by the grantor agencies as to any amount for any grant. The Board deems the contingency remote, as the Corporation has accommodated the objective of the organization to the provisions of the grant.

NOTE J – COMMITMENTS:

The Tennessee Disability Coalition leased office space in Nashville, Memphis and Knoxville. Annual lease payments totaled \$ 142,215 for the year ended June 30, 2008. The Tennessee Disability Coalition purchased a building in 2007 and will no longer be involved in a long term leasing arrangement for the Nashville office. The leases for the other offices vary in length of duration. Office equipment is leased under various term agreements, but no lease is considered a capital lease under FASB Statement 13. Future minimum rental payments for leases with initial lease terms exceeding one year for each of the next five years are:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2009	\$ 60,486
June 30, 2010	52,500
June 30, 2011	4,400
June 30, 2012	-
June 30, 2013	-
Total	<u>\$ 117,386</u>