

AUTISM FOUNDATION OF TENNESSEE, INC.

Audited Financial Statements

Years Ended December 31, 2014 and 2013



AUTISM FOUNDATION OF TENNESSEE, INC.

Audited Financial Statements

Years Ended December 31, 2014 and 2013

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Audited Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Autism
Foundation of Tennessee, Inc.:

We have audited the accompanying financial statements of Autism Foundation of Tennessee, Inc. (the Foundation) (a Tennessee not-for-profit corporation), which comprise the statement of financial position as of December 31, 2014, the related statements of operations and changes in net assets (deficit), functional expenses, and cash flows for the year then ended, and the related notes to 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. 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 Autism Foundation of Tennessee, Inc. as of December 31, 2014, and the results of its operations, changes in net assets, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The financial statements of Autism Foundation of Tennessee, Inc. for the year ended December 31, 2013, were audited by other auditors who expressed an unmodified opinion on those financial statements on May 30, 2014.

Pushing Upahly & Associates, P.C.

Nashville, Tennessee
September 28, 2014

AUTISM FOUNDATION OF TENNESSEE, INC.

Statements of Financial Position

| | | <i>December 31,</i> | |
|--------------------------------------------|----|---------------------|-------------|
| | | <i>2014</i> | <i>2013</i> |
| ASSETS | | | |
| Cash | \$ | 46,433 | \$ 29,083 |
| Accounts receivable | | 81,438 | 57,582 |
| Prepaid expenses and other assets | | 6,658 | 8,658 |
| Property and equipment, net | | 86,361 | 95,350 |
| TOTAL ASSETS | \$ | 220,890 | \$ 190,673 |
| LIABILITIES AND NET ASSETS | | | |
| Accounts payable and accrued expenses | \$ | 2,087 | \$ 5,447 |
| Accrued payroll | | 7,198 | 22,527 |
| Notes payable | | 140,143 | 208,253 |
| TOTAL LIABILITIES | | 149,428 | 236,227 |
| NET ASSETS (DEFICIT) | | | |
| Unrestricted | | 71,462 | (45,554) |
| TOTAL LIABILITIES AND NET ASSETS (DEFICIT) | \$ | 220,890 | \$ 190,673 |

AUTISM FOUNDATION OF TENNESSEE, INC.

Statements of Operations and Changes in Net Assets (Deficit)

| | <i>Year Ended December 31,</i> | |
|-----------------------------------------|--------------------------------|--------------------|
| | <i>2014</i> | <i>2013</i> |
| REVENUE: | | |
| Individual/Corporate contributions | \$ 7,711 | \$ 16,895 |
| Grants | 1,288 | 16,710 |
| | <u>8,999</u> | <u>33,605</u> |
| SPECIAL EVENTS INCOME AND EXPENSES: | | |
| Golf | 21,281 | 27,352 |
| Other | 83 | 250 |
| Less expenses | (8,716) | (8,122) |
| TOTAL SPECIAL EVENTS, NET | <u>12,648</u> | <u>19,480</u> |
| PROGRAM INCOME: | | |
| ABA therapy | 747,701 | 570,987 |
| Speech therapy | 1,201 | 36,610 |
| Occupational therapy | 21,628 | 64,294 |
| Social skills group | 12,105 | 5,183 |
| Summer camp | 16,132 | 20,560 |
| Assessment | - | 254 |
| TOTAL PROGRAM INCOME | <u>798,767</u> | <u>697,888</u> |
| TOTAL REVENUE | <u>820,414</u> | <u>750,973</u> |
| EXPENSES: | | |
| Programs | 627,168 | 604,020 |
| General and administrative | 76,230 | 78,730 |
| Fundraising | - | 16,885 |
| TOTAL EXPENSES | <u>703,398</u> | <u>699,635</u> |
| INCREASE IN NET ASSETS | <u>117,016</u> | <u>51,338</u> |
| NET ASSETS (DEFICIT), BEGINNING OF YEAR | <u>(45,554)</u> | <u>(96,892)</u> |
| NET ASSETS (DEFICIT), END OF YEAR | <u>\$ 71,462</u> | <u>\$ (45,554)</u> |

AUTISM FOUNDATION OF TENNESSEE, INC.

Statements of Functional Expenses

| <i>Year Ended December 31, 2014</i> | | | | |
|--------------------------------------------|-------------------------------|------------------------------|---------------------------|---------------------|
| | <i>General and</i> | | | |
| | <i>Program</i> | <i>Administrative</i> | <i>Fundraising</i> | <i>Total</i> |
| Payroll and benefits | \$ 462,558 | \$ 64,878 | \$ - | \$ 527,436 |
| Payroll taxes | 34,906 | 4,958 | - | 39,864 |
| Accounting and legal | - | 5,990 | - | 5,990 |
| Facilities and equipment | 70,265 | - | - | 70,265 |
| Office expenses | 18,572 | - | - | 18,572 |
| Insurance | 20,913 | - | - | 20,913 |
| Interest | - | 404 | - | 404 |
| Depreciation | 8,989 | - | - | 8,989 |
| Other | 10,965 | - | - | 10,965 |
| | \$ 627,168 | \$ 76,230 | \$ - | \$ 703,398 |

| <i>Year Ended December 31, 2013</i> | | | | |
|--------------------------------------------|-------------------------------|------------------------------|---------------------------|---------------------|
| | <i>General and</i> | | | |
| | <i>Program</i> | <i>Administrative</i> | <i>Fundraising</i> | <i>Total</i> |
| Payroll and benefits | \$ 435,274 | \$ 55,674 | \$ 15,183 | \$ 506,131 |
| Payroll taxes | 34,462 | 4,408 | 1,202 | 40,072 |
| Accounting | - | 14,500 | - | 14,500 |
| Facilities and equipment | 69,370 | - | - | 69,370 |
| Office expenses | 8,585 | - | - | 8,585 |
| Bad debts | 16,860 | - | - | 16,860 |
| Insurance | 18,636 | - | 500 | 19,136 |
| Interest | - | 4,148 | - | 4,148 |
| Depreciation | 8,989 | - | - | 8,989 |
| Other | 11,844 | - | - | 11,844 |
| | \$ 604,020 | \$ 78,730 | \$ 16,885 | \$ 699,635 |

AUTISM FOUNDATION OF TENNESSEE, INC.***Statements of Cash Flows***

| | <i>Year Ended December 31,</i> | |
|--------------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------|
| | <i>2014</i> | <i>2013</i> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase in net assets | \$ 117,016 | \$ 51,338 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities: | | |
| Items not requiring cash: | | |
| Depreciation | 8,989 | 8,989 |
| Bad debts | - | 16,860 |
| Increase (decrease) in cash due to changes in: | | |
| Receivables | (23,856) | (14,649) |
| Prepaid expenses and other assets | 2,000 | (4,246) |
| Accounts payable and accrued expenses | (3,360) | (15,688) |
| Accrued payroll | (15,329) | 1,329 |
| Total adjustments | (31,556) | (7,405) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 85,460 | 43,933 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments on notes payable | (68,110) | (29,478) |
| NET CASH USED IN FINANCING ACTIVITIES | (68,110) | (29,478) |
| Net increase in cash | 17,350 | 14,455 |
| CASH AND CASH EQUIVALENTS, beginning of year | 29,083 | 14,628 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 46,433 | \$ 29,083 |

AUTISM FOUNDATION OF TENNESSEE, INC.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and General: The Autism Foundation of Tennessee, Inc., (the Foundation) is a 501(c)3 organization that was organized by Steven and Karen Blake (the Blakes) in 2008. The Blakes developed the foundation in response to the needs for low cost therapy and services for children with autism.

The Foundation provides Applied Behavioral Analysis therapy for children on the Autism Spectrum. In addition, the Foundation provides an early learning program during the school year; a daytime summer program when school is not in session; and social skills group therapy on weekends.

The Foundation aids children on the Autism Spectrum to develop social skills and to make friends.

Financial Statement Presentation: The financial statements of the Foundation have been prepared using the accrual basis of accounting.

The Foundation classifies its support, revenue and expenses into one class of net assets based on the lack of existence of donor-imposed restrictions: unrestricted net assets.

The amount for this class of net assets is presented in the statements of financial position, and the amount of change in net assets is displayed in the statements of operations and changes in net assets. There were no permanently or temporarily restricted net assets during the years ended December 31, 2014 and 2013.

Contributions: To the extent that the Foundation receives contributions in the future that contain restrictions, the Foundation will report such gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets will be reclassified to unrestricted net assets and reported in the statement of operations and changes in net assets as net assets released from restrictions.

Accounts Receivable and Revenue: Accounts receivable are recorded based on amounts billed for program services. Management evaluates accounts for collectability on an ongoing basis and uses the specific identification method and historical experience to estimate the need for an allowance. Accounts are written off when collectability is considered remote. There was no allowance necessary as of December 31, 2014 and 2013.

AUTISM FOUNDATION OF TENNESSEE, INC.

Notes to Financial Statements - Continued

Years Ended December 31, 2014 and 2013

The majority of program income is received from TennCare and TriCare and to a lesser extent from third-party insurers and private pay. Amounts recorded as income at time of service are based on management's best estimate of reimbursements from the providers, but are subject to periodic review and adjustment. Adjustments are recorded in the period of determination.

Property and Equipment: Property and equipment are carried at cost if acquired and at estimated fair value at the date of the gift if donated. Repairs and maintenance are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Donated Services and Materials: A substantial number of unpaid volunteers have made significant contributions of their time to develop the Foundation's programs, principally in fund-raising activities. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation. Donated materials are recorded at fair value at the date of the gift.

Tax Status: The Foundation is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code; and accordingly, no provision for income tax is included in the accompanying financial statements.

The Foundation accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Foundation include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the Foundation has determined that such tax positions do not result in an uncertainty requiring recognition.

Use of Estimates in the Preparation of Financial Statements: Judgment and estimation are exercised by management in certain areas of the preparation of financial statements. The most significant estimates include the recovery period for property and equipment and the collectability of receivables. Management believes that such estimates have been based on reasonable assumptions and that such estimates are appropriate. Actual results could differ from those estimates.

NOTE B--PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013, consisted of the following:

AUTISM FOUNDATION OF TENNESSEE, INC.

Notes to Financial Statements - Continued

Years Ended December 31, 2014 and 2013

| | <i>2014</i> | <i>2013</i> |
|-----------------------------------|--------------------|--------------------|
| Leasehold improvements | \$ 109,660 | \$ 109,660 |
| Furniture, fixtures and equipment | 8,393 | 8,393 |
| | 118,053 | 118,053 |
| Less: Accumulated depreciation | (31,692) | (22,703) |
| | <u>\$ 86,361</u> | <u>\$ 95,350</u> |

NOTE C--NOTES PAYABLE

Notes payable at December 31, 2014 and 2013, consisted of the following:

| | <i>2014</i> | <i>2013</i> |
|--------------------------------------------|--------------------|--------------------|
| Related parties | \$ 140,143 | \$ 168,253 |
| Fifth-Third Bank (\$60,000 line-of-credit) | - | 40,000 |
| | <u>\$ 140,143</u> | <u>\$ 208,253</u> |

Borrowings from related parties represent amounts advanced to the Foundation by the Blakes and will be repaid as funds become available from revenues and collection of accounts receivable. Interest is not charged on these advances.

The \$60,000 line-of-credit matured on September 1, 2015, and was collateralized by an assignment certificate of deposit of the Blakes. It bore interest at 3.25% as of December 31, 2014. Management determined to allow the line to expire without renewal.

NOTE D--OPERATING LEASES

The Foundation leases two locations under noncancelable operating leases. Total rent expense was \$57,240 and \$55,220 and for 2014 and 2013, respectively, which is included in the caption facilities and equipment in the statement of functional expenses. One of the leases is from a related party who is an officer of the Foundation. Rental payments under this related party lease are \$2,020 monthly for five years beginning June 1, 2011.

The Foundation extended its lease for one of the two offices in April 2014, with the new lease term extending through 2016. A summary of the future minimum rental payments under these operating leases, inclusive of the lease extension, is as follows:

AUTISM FOUNDATION OF TENNESSEE, INC.

Notes to Financial Statements - Continued

Years Ended December 31, 2014 and 2013

| <i>Year Ending December 31,</i> | |
|--------------------------------------------|-------------------------|
| 2015 | \$ 57,240 |
| 2016 | <u>23,120</u> |
| | <u><u>\$ 80,360</u></u> |

NOTE E--CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash in financial institutions at balances which, at times, may be uninsured or may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant risk of loss on cash and cash equivalents. Credit risk also extends to receivables which are uncollateralized.

NOTE F--SUBSEQUENT EVENTS

The Foundation evaluated subsequent events through September 28, 2015, the date the financial statements were available for issuance, and has determined that there are no subsequent events that require disclosure.