

CUMBERLAND COMMUNITY OPTIONS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

(With Independent Auditor's Report Thereon)

CUMBERLAND COMMUNITY OPTIONS, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 93,319	\$ 76,360
Accounts receivable State of Tennessee contract	100,614	77,132
Accounts receivable - other	6,686	4,127
Prepaid expense	-	1,861
Employee receivable	526	609
Total Current Assets	201,145	160,089
PROPERTY AND EQUIPMENT		
Land	240,000	240,000
Buildings	382,871	382,871
Furniture and equipment	48,855	48,071
Less accumulated depreciation	127,105	116,810
Total Property and Equipment	544,621	554,132
Total Assets	\$ 745,766	\$ 714,221
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	\$ 46,061	\$ 43,465
Accounts payable	833	-
Mortgage payable - short term	30,785	24,330
Total Current Liabilities	77,679	67,795
Mortgage payable - long term	231,032	265,982
Total liabilities	308,711	333,777
NET ASSETS		
Unrestricted	433,668	377,057
Board designated funds	3,387	3,387
Total Net Assets	437,055	380,444
Total Liabilities and Net Assets	\$ 745,766	\$ 714,221

See notes to financial statements.

CUMBERLAND COMMUNITY OPTIONS, INC.
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Changes in unrestricted net assets:		
Support and revenue		
State of Tennessee contract revenue	\$ 970,670	\$ 881,248
Donations	11,080	80,600
Total support and revenue	<u>981,750</u>	<u>961,848</u>
Expenses:		
Program Services		
Support and client assistance	735,406	708,491
Management and General	189,733	197,392
Total expenses	<u>925,139</u>	<u>905,883</u>
Increase (decrease) in unrestricted net assets	56,611	55,965
Net assets, beginning of year	<u>380,444</u>	<u>324,479</u>
Net assets, end of year	<u>\$ 437,055</u>	<u>\$ 380,444</u>

See notes to financial statements.

CUMBERLAND COMMUNITY OPTIONS, INC.
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSE
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Support & Client Assistance	Management & General	Total	Support & Client Assistance	Management & General	Total
Salaries	\$ 510,292	83,071	593,363	\$ 498,715	81,186	579,902
Payroll taxes	41,540	6,762	48,302	40,660	6,619	47,279
Employee benefits	57,220	14,305	71,525	52,092	13,023	65,117
Bank charges	-	1,048	1,048	-	1,200*	1,200
Professional services	-	11,037	11,037	128	10,998	11,126
Supplies	-	1,129	1,129	-	1,564	1,564
Communications	2,722	11,524	14,246	2,503	12,113	14,617
Rent	51,240	-	51,240	49,096	-	49,097
Insurance	22,481	14,118	36,599	22,486	18,821	41,306
Travel / vehicle expense	35,604	4,027	39,631	30,935	4,867	35,802
Training	1,001	-	1,001	162	-	162
Equipment lease	-	4,525	4,525	-	4,227	4,227
Equipment repairs and maintenance	1,164	-	1,164	740	-	740
Advertising	-	-	-	-	-	-
License and permits	-	2,125	2,125	-	2,379	2,379
Utilities	10,635	-	10,635	9,819	-	9,819
Back ground checks	106	-	106	265	-	265
Interest	-	19,269	19,269	-	21,176	21,176
Miscellaneous	1,402	6,472	7,874	890	5,987	6,877
Fundraising	-	25	25	-	1,755	1,755
Depreciation	-	10,295	10,295	-	11,477	11,477
	\$ 735,406	189,733	925,139	\$ 708,491	197,392	905,883

See notes to financial statements.

CUMBERLAND COMMUNITY OPTIONS, INC.
COMPARATIVE STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 56,611	55,965
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
Depreciation	10,295	11,477
(Increase) decrease in contract receivable	(23,481)	7,981
(Increase) decrease in accounts receivable	(2,476)	4,256
(Increase) decrease in prepaid expense	1,861	1,320
Increase (decrease) in accounts payable	833	-
Increase (decrease) in accrued liabilities	2,596	1,059
Total adjustments	(10,372)	26,091
Net Cash Provided (Used) by Operating Activities	46,239	82,056
Cash Flows From Investing Activities		
Acquisition of plant, property, and equipment	(784)	-
Net Cash Used by Investing Activities	(784)	-
Cash Flows From Financing Activities		
Net borrowing (repayments)	(28,495)	(65,817)
Net Cash Provided by Financing Activities	(28,495)	(65,817)
Increase (decrease) in cash	16,960	16,239
Cash, beginning of year	76,360	60,121
Cash, end of year	\$ 93,320	\$ 76,360
Supplemental disclosures:		
Cash paid for interest	\$ 19,269	\$ 21,176

See notes to financial statements.

CUMBERLAND COMMUNITY OPTIONS, INC.
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. Cumberland Community Options, Inc. is a nonprofit corporation chartered by State of Tennessee for the purpose of assisting people with intellectual, developmental and other disabilities to live in the community in such a way that there is an acceptable balance between their opportunities to experience a lifestyle meaningful to themselves and the risks that occur with ordinary living. The Corporation provides services to persons with intellectual, developmental and other disabilities in the areas of supported living, specialized equipment and supplies, personal assistance, transportation, and adaptation to everyday living.

Basis of Presentation. Cumberland Community Options, Inc. reports information regarding its financial position and activities in accordance with FASB ASC 958. Under FASB ASC 958, 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. (The Corporation has no assets which meet the definition of temporarily or permanently restricted net assets.) In addition, the Corporation reports information regarding contributions in accordance with FASB ASC 958. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Corporation has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

2. Basis of Accounting. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash Equivalents. Cash equivalents consist of short-term, highly liquid investments which have an initial maturity of ninety days or less

5. Revenue and Support. Cumberland Community Options, Inc. receives most of its income, approximately 98%, from contract services paid by the State of Tennessee Department of Finance and Administration, Division of Intellectual Disability Services. The Corporation records income due from the State in the period that the applicable expenditures were incurred by the Corporation.
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 support that increases those net assets classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the Corporation reports the support as unrestricted. Promises to give in the future are recognized as temporarily restricted assets and revenues and support in the period promised if the promise is unconditional or the possibility that a condition will not be met is remote.

CUMBERLAND COMMUNITY OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

7. Property and Equipment. Property and equipment are carried at cost. Donated furniture and equipment have not been recorded, as Cumberland Community Options, Inc. has no reasonable basis for valuation. The donated property was being discarded from other agencies and had no material value. Depreciation on purchased property is computed using the straight-line method over the estimated lives of the assets, presently three to thirty nine years
8. 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.
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. Cumberland Community Options, Inc. is exempt from federal income taxes under Section 501 (c) 3 of the Internal Revenue Code. Therefore, no provision for federal income taxes have been made in the accompanying financial statements.
12. Pension Plan. Cumberland Community Options, Inc. maintains a 403(b) retirement plan for employees who are eligible for the plan. Cumberland Community Options contributes 5% of gross wages per employee after one year of employment and enrollment in the plan. Contributions to the plan are based on the participant's salary. The costs of this plan are charged to benefits expense and total approximately \$6,686 and \$6,766 for the years ended June 30, 2018 and 2017 respectively.

NOTE B – DUE FROM THE STATE OF TENNESSEE:

Cumberland Community Options, Inc. is due monies from the State of Tennessee Department of Mental Health and Intellectual Disability Services for contract services performed. These receivables total \$100,614 and \$77,132 for the years ended June 30, and 2018 and 2017 respectively. Due to the timing and nature of receivables it was deemed more effective to test them by verifying subsequent receipts than requesting balance confirmations.

NOTE C – 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 or 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 date. No liability is needed as of June 30, 2018 and 2017 for these costs as no determination has been made by the grantor agencies as to any amount for any grant.

CUMBERLAND COMMUNITY OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE D – COMMITMENTS:

Cumberland Community Options, Inc. maintains a lease for a copier as of June 30, 2018 and 2017, with monthly lease payments of \$325 this lease is not considered a capital lease under generally accepted accounting principles.

The Organization had a note payable to an individual of \$39,229 as of June 30, 2016 due in a single payment September 8, 2017. In September 2017 the holder of the note forgave the debt. Interest payments were 6.08% due quarterly. Real property at 322 Emery Drive, Nashville, TN collateralized the loan.

The Organization has a mortgage payable to Regions Bank of \$261,817 as of June 30, 2018 payable in monthly installments of \$3,980 including interest at 6.85%. The final payment is due March 2025. Real property at 322 Emery Drive, Nashville, TN collateralizes the mortgage.

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

2019	30,785
2020	32,961
2021	35,291
2022	37,786
2023 and thereafter	124,996

NOTE E - CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of money due from the State of Tennessee Department of Mental Health and Mental Retardation and other accounts receivable. Accounts receivable consist of monies due from clients for reimbursement of living expenses paid by the Organization. These receivables are widely dispersed over many persons and mitigate credit risk. Money due from the State of Tennessee represents a concentration of credit risk to the extent that it is received from concentrated sources. The Organization receives a substantial amount, (approximately 98%), of its support from the State of Tennessee. A significant reduction in the levels of this support, if this was to occur, could have an adverse effect on the Organization's programs and activities. Based on the upcoming fiscal year's budget, the funding is expected to continue for the current year.

The Organization's cash is held in one financial institution as of June 30, 2018 and 2017. At June 30, 2018 and 2017 the Federal Deposit Insurance Corporation (FDIC) insures aggregate deposits up to \$250,000 per bank per depositor. Deposits do not exceed this limit.

NOTE F – SUBSEQUENT EVENTS:

Management has evaluated events and transactions subsequent to the statement of financial position date through the date of the auditor's report, (the date the financial statements were available to be issued), for potential recognition or disclosure in the financial statements. Management has not identified any items requiring disclosure.

CUMBERLAND COMMUNITY OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE G – UNCERTAIN TAX POSITIONS

The Organization follows the accounting guidance for uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by tax authorities. Such tax positions initially and subsequently need to be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

The adoption of FASB ASC 740 did not have a material impact on the Organization's financial statements. Management has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits. The Organization's evaluation was performed for tax years that remain subject to examination by major tax jurisdictions as of June 30, 2018.

NOTE H – TAX STATUS

The Organization, obtained its determination letter dated September 04, 2004 in which the Internal Revenue Service stated that the Corporation was in compliance with the applicable requirements of Internal Revenue Code Section 501 (c) 3. The Organization has had no significant modifications of its programs since receiving the determination letter. Management believes that the Organization is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code and is exempt from federal income tax under IRC Section 501 (a).

**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***

Independent Auditor's Report

Board of Directors
Cumberland Community Options, Inc.
Nashville, Tennessee

I 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 Cumberland Community Options, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expense and cash flows for the years then ended, and the related notes to the financial statements, and have issued my report thereon dated November 14, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Cumberland Community Options, Inc. internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization'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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Cumberland Community Options, Inc. financial statements are free from material misstatement, I 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A J Farmer, CPA

Franklin, Tennessee

November 14, 2018