

AUTISM FOUNDATION OF TENNESSEE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

AUTISM FOUNDATION OF TENNESSEE, INC.

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
Balance Sheets	2
Statements of Operations and Changes in Net Assets	3
Statements of Functional Expenses.....	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 10



Independent Auditors' Report

The Board of Directors
Autism Foundation of Tennessee, Inc.
Nashville, Tennessee

We have audited the accompanying balance sheets of the Autism Foundation of Tennessee, Inc., (a Tennessee not-for-profit Corporation) as of December 31, 2011 and 2010, and the related statements of operations and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 the Autism Foundation of Tennessee, Inc., as of December 31, 2011 and 2010, and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Crosslin & Associates, P.C.

May 30, 2012
Nashville, Tennessee

AUTISM FOUNDATION OF TENNESSEE, INC.
BALANCE SHEETS

	<u>ASSETS</u>	
	December 31,	
	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 5,319	\$ 32,595
Accounts receivable (net of allowance of \$18,000 in 2011)	102,242	104,223
Prepaid expenses and other assets	2,450	2,450
Property and equipment, net	<u>113,328</u>	<u>3,793</u>
Total assets	<u>\$223,339</u>	<u>\$143,061</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 20,649	\$ 546
Notes payable	221,933	15,687
Payroll liabilities	<u>1,641</u>	<u>34,294</u>
Total liabilities	<u>244,223</u>	<u>50,527</u>
Net assets (deficit):		
Unrestricted	<u>(20,884)</u>	<u>92,534</u>
Total liabilities and net assets (deficit)	<u>\$ 223,339</u>	<u>\$143,061</u>

See accompanying notes to financial statements.

AUTISM FOUNDATION OF TENNESSEE, INC.
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Support:		
Individual/Corporate Contributions	<u>\$ 14,759</u>	<u>\$ 6,766</u>
Special Events Income:		
Golf	15,908	17,557
Other events	916	9,097
Less expenses	<u>(6,369)</u>	<u>(14,178)</u>
Total special events, net	<u>10,455</u>	<u>12,476</u>
Total support	<u>25,214</u>	<u>19,242</u>
Program Income:		
ABA therapy	716,243	703,410
Speech therapy	31,616	30,519
Occupational therapy	27,921	17,811
Social skills group	7,897	3,233
Summer camp	13,210	19,040
Assessment	<u>-</u>	<u>1,425</u>
Total program income	<u>796,887</u>	<u>775,438</u>
Total revenue	<u>822,101</u>	<u>794,680</u>
Expenses:		
Programs	817,269	498,923
General and administrative	96,250	94,038
Fundraising	<u>22,000</u>	<u>22,030</u>
Total expenses	<u>935,519</u>	<u>614,991</u>
Decrease (increase) in net assets	(113,418)	179,689
Net assets (deficit) at beginning of year	<u>92,534</u>	<u>(87,155)</u>
Net assets (deficit) at end of year	<u><u>\$(20,884)</u></u>	<u><u>\$ 92,534</u></u>

See accompanying notes to financial statements.

AUTISM FOUNDATION OF TENNESSEE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2011			
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and benefits	\$600,491	\$70,000	\$20,000	\$690,491
Payroll taxes	62,505	5,300	1,500	69,305
Accounting	-	17,116	-	17,116
Facilities and equipment	67,113	-	-	67,113
Office expenses	22,168	-	-	22,168
Bad debts	18,000	-	-	18,000
Insurance	5,397	-	500	5,897
Interest	-	3,834	-	3,834
Depreciation	4,725	-	-	4,725
Other	<u>36,870</u>	<u>-</u>	<u>-</u>	<u>36,870</u>
	<u>\$817,269</u>	<u>\$96,250</u>	<u>\$22,000</u>	<u>\$935,519</u>

	Year Ended December 31, 2010			
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and benefits	\$336,942	\$70,000	\$20,000	\$426,942
Payroll taxes	33,005	5,300	1,530	39,835
Accounting	-	12,135	-	12,135
Facilities and equipment	53,040	-	-	53,040
Office expenses	14,255	-	-	14,255
Bad debts	37,400	-	-	37,400
Insurance	5,551	-	500	6,051
Interest	-	4,886	-	4,886
Other	<u>18,730</u>	<u>1,717</u>	<u>-</u>	<u>20,447</u>
	<u>\$498,923</u>	<u>\$94,038</u>	<u>\$22,030</u>	<u>\$614,991</u>

See accompanying notes to financial statements.

AUTISM FOUNDATION OF TENNESSEE, INC.
STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$(113,418)	\$ 179,689
Adjustments to reconcile (decrease) increase in net assets to net cash (used) provided by operating activities:		
Items not requiring cash:		
Depreciation and amortization	4,725	-
Bad debts	18,000	37,400
Changes in:		
Receivables	(16,019)	(104,940)
Prepaid expenses and other assets	-	1,030
Accounts payable and accrued expenses	20,103	(19,561)
Payroll liabilities	(32,653)	19,878
Net cash (used) provided by operating activities	<u>(119,262)</u>	<u>113,496</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(114,260)</u>	<u>(3,793)</u>
Cash flows from financing activities:		
Proceeds from (principal payments on) notes payable	<u>206,246</u>	<u>(77,108)</u>
(Decrease) increase in cash	(27,276)	32,595
Cash and cash equivalents at beginning of year	<u>32,595</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 5,319</u>	<u>\$ 32,595</u>

See accompanying notes to financial statements.

AUTISM FOUNDATION OF TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and General

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

The Foundation helps provide speech and occupational therapy as well as ABA therapy for autistic children. In addition, AFT provides a daytime summer program when school is not in session, providing “an informal environment to help foster learning and exploring in a group setting” and aiding autistic children in developing social skills and making 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 balance sheets 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 year ended or as of December 31, 2011 and 2010.

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.

AUTISM FOUNDATION OF TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable and Revenue

Accounts receivable are recorded at their estimated fair value which reflects an allowance for possible uncollectable accounts. Management evaluates accounts for collectability on an ongoing basis and adjusts the allowance based on specific issues identified as well as an estimate based on historical contractual third-party adjustments.

The majority of patient revenues are received from TennCare and TriCare and to a lesser extent from third-party insurers and private pay. Amounts recorded as revenue 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.

Cash and Cash Equivalents

Cash includes currency on hand as well as demand deposits with financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to cash and are so near maturity that there is insignificant risk of changes in value due to interest rate changes. Cash is deposited with financial institutions which management believes to be of the highest quality.

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.

AUTISM FOUNDATION OF TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 collectibility 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.

AUTISM FOUNDATION OF TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

B. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2011 and 2010, consisted of the following:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 109,659	\$ -
Furniture, fixtures and equipment	<u>8,393</u>	<u>3,793</u>
Total property and equipment	118,052	3,793
Less accumulated depreciation	<u>(4,725)</u>	<u>-</u>
	<u>\$ 113,327</u>	<u>\$3,793</u>

During 2011, the Foundation received in-kind contributions of leasehold improvements valued at \$12,240 from a related party who is an officer of AFT.

C. NOTES PAYABLE

Notes payable at December 31, 2011 and 2010, consisted of the following:

	<u>2011</u>	<u>2010</u>
Related parties	\$162,933	\$15,687
Fifth-Third Bank (\$60,000 line-of-credit)	<u>59,000</u>	<u>-</u>
	<u>\$221,933</u>	<u>\$15,687</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.

The \$60,000 line-of-credit matures on September 1, 2012, and is collateralized by an assignment certificate of deposit of the Blakes.

AUTISM FOUNDATION OF TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

D. OPERATING LEASES

The Foundation leases two offices under noncancelable operating leases. Total rent expense was \$63,199 and \$44,568 for 2011 and 2010, respectively. One of the leases is from a related party who is an officer of AFT. Rental payments are \$2,020 monthly for five years beginning June 1, 2011.

A summary of the future minimum rental payments under these operating leases is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 54,640
2013	55,440
2014	34,640
2015	24,240
2016	<u>12,120</u>
	<u>\$181,080</u>

E. CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash and cash equivalents 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.

F. SUBSEQUENT EVENTS

The Foundation evaluated subsequent events through May 30, 2012, the issuance date of its financial statements, and has determined that there are no subsequent events that require disclosure.