

CUMBERLAND COMMUNITY OPTIONS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(With Independent Auditor's Report Thereon)

Farmer & Associates, PLLC

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Cumberland Community Options, Inc., which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits 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 consolidated 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 consolidated 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, I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cumberland Community Options, Inc as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued our report dated November 14, 2013 on our consideration of Cumberland Community Option, Inc's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cumberland Community Option, Inc's internal control over financial reporting and compliance.

Farmer & Associates, PLLC

Franklin, Tennessee
November 14, 2013

CUMBERLAND COMMUNITY OPTIONS, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 117,325	\$ 243,725
Accounts receivable State of Tennessee contract	185,938	123,117
Prepaid expense	18,176	-
Employee receivable	752	1,045
	<u>322,191</u>	<u>367,886</u>
Total Current Assets		
PROPERTY AND EQUIPMENT		
Land	240,000	240,000
Buildings	382,871	382,871
Furniture and equipment	38,237	38,237
Less accumulated depreciation	71,553	61,738
	<u>589,555</u>	<u>599,370</u>
Total Property and Equipment		
Total Assets	<u>\$ 911,746</u>	<u>\$ 967,255</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	\$ 55,923	\$ 57,843
Accounts payable	-	-
Mortgage payable - short term	22,092	20,633
	<u>78,015</u>	<u>78,475</u>
Total Current Liabilities		
Mortgage payable - long term	364,317	385,935
	<u>442,332</u>	<u>464,410</u>
Total liabilities		
NET ASSETS		
Unrestricted	466,027	499,458
Board designated funds	3,387	3,387
	<u>469,414</u>	<u>502,845</u>
Total Net Assets		
Total Liabilities and Net Assets	<u>\$ 911,746</u>	<u>\$ 967,255</u>

See notes to financial statements.

CUMBERLAND COMMUNITY OPTIONS, INC.
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Changes in unrestricted net assets:		
Support and revenue		
State of Tennessee contract revenue	\$ 1,320,949	\$ 1,376,994
United Way	18,085	17,700
Donations	500	6
	<u>1,339,534</u>	<u>1,394,700</u>
Total support and revenue		
Expenses:		
Program Services		
Support and client assistance	1,101,949	1,167,491
Management and General	271,016	273,499
Total expenses	<u>1,372,965</u>	<u>1,440,990</u>
Increase (decrease) in unrestricted net assets	(33,431)	(46,290)
Net assets, beginning of year	<u>502,845</u>	<u>549,135</u>
Net assets, end of year	<u>\$ 469,414</u>	<u>\$ 502,845</u>

See notes to financial statements.

CUMBERLAND COMMUNITY OPTIONS, INC.
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSE
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013			2012		
	Support & Client Assistance	Management & General	Total	Support & Client Assistance	Management & General	Total
Salaries	\$ 757,127	123,253	880,380	\$ 779,685	126,925	906,610
Payroll taxes	57,850	9,417	67,267	59,532	9,691	69,223
Employee benefits	117,872	29,468	147,340	113,250	28,312	141,563
Bank charges	-	204	204	-	519	519
Professional services	4,986	10,082	15,068	6,040	9,999	16,039
Supplies	-	3,332	3,332	-	4,123	4,123
Communications	4,201	13,613	17,814	3,475	12,931	16,407
Client setup costs	-	-	-	-	-	-
Rent	58,431	-	58,431	59,977	-	59,978
Insurance	22,607	22,673	45,280	22,290	15,597	37,887
Travel / vehicle expense	48,747	6,083	54,830	56,349	7,672	64,021
Training	5,321	-	5,321	6,256	-	6,256
Equipment lease	-	5,454	5,454	-	5,557	5,557
Equipment repairs and maintenance	5,781	-	5,781	3,994	-	3,994
Advertising	-	-	-	-	419	419
License and permits	-	3,772	3,772	-	35	35
Utilities	15,237	-	15,237	15,485	-	15,485
Back ground checks	210	-	210	215	-	215
Fundraising	-	-	-	-	-	-
Interest	-	27,605	27,605	-	29,029	29,029
Miscellaneous	3,579	6,245	9,824	5,943	12,872	18,815
Donation	-	-	-	35,000	-	35,000
Depreciation	-	9,815	9,815	-	9,815	9,815
	\$ 1,101,949	271,016	1,372,965	\$ 1,167,491	273,499	1,440,990

See notes to financial statements.

CUMBERLAND COMMUNITY OPTIONS, INC.
COMPARATIVE STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (33,431)	(46,290)
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
Depreciation	9,815	9,815
(Increase) decrease in contract receivable	(62,821)	(3,379)
(Increase) decrease in accounts receivable	293	3,827
(Increase) decrease in prepaid expense	(18,176)	-
Increase (decrease) in accrued liabilities	(1,920)	3,816
	<u>(72,810)</u>	<u>14,079</u>
Net Cash Provided (Used) by Operating Activities	<u>(106,241)</u>	<u>(32,211)</u>
Cash Flows From Investing Activities		
Acquisition of plant, property, and equipment	-	-
Net Cash Used by Investing Activities	<u>-</u>	<u>-</u>
Cash Flows From Financing Activities		
Net borrowing (repayments)	(20,160)	(18,733)
Net Cash Provided by Financing Activities	<u>(20,160)</u>	<u>(18,733)</u>
Increase (decrease) in cash	(126,401)	(50,944)
Cash, beginning of year	243,725	294,669
Cash, end of year	<u>\$ 117,324</u>	<u>\$ 243,725</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 27,605</u>	<u>\$ 29,029</u>

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.
2. Basis of Presentation. Cumberland Community Options, Inc. reports information regarding its financial position and activities in accordance with FASB ASC 958, (formerly the Statement of Financial Accounting Standards (SFAS) No. 116 and 117, Accounting for Contributions Received and Contributions Made and Financial Statements of Not-for-Profit Organizations respectively). 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.
3. 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 \$10,000 and \$8,000 for the years ended June 30, 2011 and 2010 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 \$185,938 and \$123,117 for the years ended June 30, and 2013 and 2012 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, 2013 and 2012 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, 2013 and 2012, with monthly lease payments of \$325 this lease is not considered a capital lease under generally accepted accounting principles.

The Organization has a mortgage payable to Regions Bank of \$386,409 as of June 30, 2013 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:

2014	22,092
2015	23,653
2016	25,325
2017	27,116
2018 and thereafter	288,223

NOTE E - CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject the Corporation 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 Corporation. 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 Corporation 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 Corporation's programs and activities. Based on the upcoming fiscal year's budget, the funding is expected to continue for the current year.

At June 30, 2013 and 2021 the FDIC insured amounts in non interest bearing accounts was unlimited.

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.

NOTE G – UNCERTAIN TAX POSITIONS

The Corporation 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.

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

NOTE G – UNCERTAIN TAX POSITIONS continued

The adoption of FAB ASC 740 did not have a material impact on the Corporation's financial statements. Corporation management has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits. The Corporation's evaluation was performed for tax years that remain subject to examination by major tax jurisdictions as of June 30, 2013.

NOTE H – TAX STATUS

The Corporation, 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 Corporation has had no significant modifications of its programs since receiving the determination letter. Management believes that the Corporation 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).

SUPPLEMENTAL INFORMATION

CUMBERLAND COMMUNITY OPTIONS, INC.
SCHEDULE OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Grantor / Program Title	Federal CFDA Number	Grant Number	Federal Award Amount	State Award Amount	Balance June 30, 2012	(2) Receipts	Federal Disbursements Expenditures	State Disbursements Expenditures	Total	(1) Balance June 30, 2013
Tennessee Department of Finance and Administration Division of Intellectual Disabilities Services and Bureau of TennCare		10-163			123,117	1,258,128		1,320,949	1,320,949	185,938
Total					\$ 123,117	1,258,128	-	1,320,949	1,320,949	\$ 185,938

(1) Balance owed Cumberland Community Options, Inc. as of June 30, 2012.

(2) Receipts do not include money earned for the fiscal year ended June 30, 2012 but not yet received.

See notes to financial statements.

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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, 2013 and 2012, 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, 2013.

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.

James J. Orsini, PLLC

Franklin, Tennessee
November 14, 2013