

**DOWN SYNDROME ASSOCIATION  
OF MIDDLE TENNESSEE**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED  
JUNE 30, 2010 AND 2009**

# DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

## TABLE OF CONTENTS

Independent Auditors' Report	3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 13



**BELLENFANT + MILES, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Down Syndrome Association of Middle Tennessee  
Nashville, Tennessee

We have audited the accompanying statements of financial position of Down Syndrome Association of Middle Tennessee as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 Down Syndrome Association of Middle Tennessee as of June 30, 2010 and 2009, and the 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.

*Bellenfant & Miles, PLLC*

January 14, 2011

**DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

**ASSETS**

	<u>2010</u>	<u>2009</u>
<b>Current Assets</b>		
Cash	\$ 80,152	\$ 92,112
Contributions receivable	2,500	-
Current portion of mortgage receivable	1,328	1,328
Investment	91,991	79,712
Agency endowment fund	<u>12,514</u>	<u>11,780</u>
Total Current Assets	<u>188,485</u>	<u>184,932</u>
<b>Furniture and Equipment</b>		
Furniture and equipment	18,586	18,586
Less: accumulated depreciation	<u>(18,586)</u>	<u>(17,242)</u>
Furniture and Equipment, net	<u>-</u>	<u>1,344</u>
<b>Other Assets</b>		
Mortgage receivable, net of current portion	<u>111,386</u>	<u>112,715</u>
Total Assets	<u><u>\$ 299,871</u></u>	<u><u>\$ 298,991</u></u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable	2,001	1,808
Accrued wages and payroll taxes	<u>1,913</u>	<u>1,527</u>
Total Current Liabilities	<u>3,914</u>	<u>3,335</u>
<b>Net Assets</b>		
Unrestricted	280,278	280,856
Temporarily restricted	7,629	6,750
Permanently Restricted	<u>8,050</u>	<u>8,050</u>
Total Net Assets	<u>295,957</u>	<u>295,656</u>
Total Liabilities and Net Assets	<u><u>\$ 299,871</u></u>	<u><u>\$ 298,991</u></u>

The accompanying notes are an integral part of this statement

**DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Unrestricted net assets:</b>		
Unrestricted revenue and support		
Donations	\$ 14,835	\$ 9,434
Program fees - other	6,306	20,781
Fund-raising	151,284	156,471
Investment return	1,770	(2,212)
Gain (loss) on value of investment	7,451	(1,866)
Net Assets released from restrictions	6,750	3,825
Total Unrestricted Support and Revenue	<u>188,396</u>	<u>186,433</u>
Expenses		
Program Services:	117,140	146,812
Supporting services		
Management and general	38,098	24,828
Fundraising	33,736	26,545
Total unrestricted expenses	<u>188,974</u>	<u>198,185</u>
Increase (decrease) in unrestricted net assets	<u>(578)</u>	<u>(11,752)</u>
<b>Temporarily restricted net assets:</b>		
Donations	7,629	6,750
Net Assets released from restrictions	<u>(6,750)</u>	<u>(3,825)</u>
Increase (decrease) in temporarily restricted net assets	<u>879</u>	<u>2,925</u>
<b>Permanently restricted net assets:</b>		
Donations		
Endowment	<u>-</u>	<u>-</u>
Increase (decrease) in permanently restricted net assets	<u>-</u>	<u>-</u>
Increase (decrease) net assets	301	(8,827)
Net assets - beginning of the year - as restated	<u>295,656</u>	<u>304,483</u>
Net assets - end of the year	<u><u>\$ 295,957</u></u>	<u><u>\$ 295,656</u></u>

The accompanying notes are an integral part of this statement

**DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010				2009			
	Supporting Service				Supporting Service			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Wages	\$ 58,626	\$ 9,212	\$ 940	\$ 68,778	\$ 59,508	\$ 9,420	\$ 961	\$ 69,889
Payroll taxes	4,850	762	78	5,690	4,538	696	71	5,305
Total salaries and related expenses	63,476	9,974	1,018	74,468	64,046	10,116	1,032	75,194
Licenses and fees	-	438	-	438	-	240	-	240
Depreciation	1,146	180	18	1,344	1,591	244	25	1,860
Dues and subscriptions	1,178	185	19	1,382	343	52	5	400
Employee benefits	2,423	381	39	2,843	2,492	382	39	2,913
Insurance	1,630	256	26	1,912	489	75	8	572
Rent	4,897	770	79	5,746	4,673	717	73	5,463
Professional services	-	23,719	843	24,562	-	9,510	837	10,347
Postage	538	85	9	632	415	64	6	485
Printing	1,278	50	5	1,333	1,060	91	9	1,160
Conferences and events	27,471	-	31,470	58,941	54,437	-	24,172	78,609
Supplies	1,175	185	19	1,379	1,732	266	27	2,025
Telephone	4,899	770	79	5,748	4,499	690	70	5,259
Travel and transportation	615	97	10	722	262	40	4	306
Donations Expense	5,268	828	84	6,180	8,760	2,033	207	11,000
Other	1,146	180	18	1,344	2,013	308	31	2,352
Total Expenses	\$ 117,140	\$ 38,098	\$ 33,736	\$ 188,974	\$ 146,812	\$ 24,828	\$ 26,545	\$ 198,185

The accompanying notes are an integral part of this statement.

**DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 301	\$ (8,827)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,344	1,860
(Gain) Loss on value of investment	(7,451)	1,866
(Increase) decrease in:		
Contribution receivable	(2,500)	-
Mortgage receivable	1,329	1,328
Increase (decrease) in:		
Accounts payable	193	(237)
Accrued wages and payroll taxes	386	(1,672)
Net Cash Provided (Used) by Operating Activities	<u>(6,398)</u>	<u>(5,682)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) decrease in Agency Endowment Fund	(734)	4,068
Purchase of investment	(7,378)	-
Annuity payout form investment	2,550	-
Net Cash Provided (Used) by Investing Activities	<u>(5,562)</u>	<u>4,068</u>
Net Decrease in Cash	(11,960)	(1,614)
Cash - Beginning of Year	<u>92,112</u>	<u>93,726</u>
Cash - End of Year	<u><u>\$ 80,152</u></u>	<u><u>\$ 92,112</u></u>

The accompanying notes are an integral part of this statement

**DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities:**

Down Syndrome Association of Middle Tennessee ("DSAMT" or "the Organization") is a tax-exempt organization under 501(c)(3) of the Internal Revenue Code. DSAMT is a nonprofit organization whose mission is to enhance the quality of life throughout the life span of all individuals with Down Syndrome by providing support, information and education to families, professionals and communities. Activities of the Organization include development and distribution of educational materials relating to Down Syndrome affected persons, educational and support meetings, fund-raising activities, and a state approved service provider for Down Syndrome individuals.

**Contributed Services:**

During the years ended June 30, 2010 and 2009, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization at their fund-raising activities, but these services do not meet the criteria for recognition as contributed services.

**Estimates:**

The preparation of 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.

**Property and Equipment:**

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

**Federal Income Tax Status:**

The Organization has been determined by the Internal Revenue Service to be exempt from federal income tax under section 501 (c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Accordingly, the financial statements do not reflect a provision for income taxes.



**DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Statement Presentation:**

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Organization 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.

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a 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.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization currently has no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by law. Expiration of temporary restrictions on net assets (i.e. the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**Contributions:**

The Organization uses the provisions of the FASB Accounting Standards Codification Revenue Recognition Topic in accounting for contributions received. In accordance with the Codification, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted assets at June 30, 2010 and 2009 are purpose restricted and will be reclassified to unrestricted net assets upon the accomplishment of the restriction.

**Cash Equivalents:**

For purposes of the statement of cash flows, DSAMT considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allowance for Doubtful Accounts:**

No allowance for doubtful accounts is provided because of past experience with collections and estimated collectability of current receivables.

**Functional Allocation of Expenses:**

The costs of providing the Organization's 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.

**Investments:**

Investments are composed of equity securities and are valued at fair value.

**2. RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Bike Camp	\$ 3,629	\$ -
Art camp	<u>4,000</u>	<u>6,750</u>
	<u>\$ 7,629</u>	<u>\$ 6,750</u>

Permanently restricted net assets consist of the following:

	<u>2010</u>	<u>2009</u>
Endowment Funds	<u>\$ 8,050</u>	<u>\$ 8,050</u>

**3. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2010</u>	<u>2009</u>
Computer equipment	\$ 7,871	\$ 7,871
Furnishings	6,402	6,402
Leasehold improvements	<u>4,313</u>	<u>4,313</u>
	18,586	18,586
	<u>(18,586)</u>	<u>(17,242)</u>
	<u>\$ -</u>	<u>\$ 1,344</u>

**DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**4. LINE OF CREDIT**

The Organization maintains an unsecured line of credit with SunTrust Bank. The arrangement is structured as a demand instrument with interest only monthly payments with an annual rate of 5.25% and 5.25% for the years ended June 30, 2010 and 2009 respectively.

**5. MORTGAGE RECEIVABLE AND CONTINGENT LIABILITY**

The Organization holds a first and second mortgage associated with the sale of a home constructed as part of the Home of Your Own program. The mortgage is secured by the home. The first mortgage in the original amount of \$42,500 is a non-interest loan with 384 monthly principal payments of \$110.68. The mortgage is serviced by Pinnacle National Bank. The second mortgage is also a non-interest loan with 384 payments of \$104.17 that has an arrangement that forgives each monthly payment as it becomes due if the first mortgage is not in default.

The Organization holds a second mortgage associated with the sale of another home constructed as part of the Home of Your Own program. The mortgage is secured by the home. The mortgage is a \$40,000 non-interest loan with 360 monthly principal payments of \$111.11. There is an arrangement that forgives each monthly payment as it becomes due as long as the first mortgage is not in default. The Tennessee Housing Development Agency (THDA) holds the first mortgage.

If the owner defaults on the first mortgage held by THDA the Organization is obligated to purchase the mortgage from THDA at the unpaid balance amount plus any associated costs. At June 30, 2010 and 2009, the approximated balance on the loans was \$36,361 and \$37,778, respectively. The Organization would then be allowed to foreclose on and sell the property in order to satisfy the balance on both the first and second mortgages.

**6. LEASE**

The Organization's administrative office is leased on a 3 year term with monthly payments of \$378 beginning September 1, 2009 and ending August 31, 2011.

Future scheduled lease payments are as follows for the year ending June 30:

2010	\$ 4,536
2011	756
	<u>\$ 5,292</u>

**DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**7. CONCENTRATION OF CREDIT RISK**

The Organization is highly dependent on grants and charitable contributions. If these funding sources decreased extensively, the Organization would experience serious difficulty in continuing operations.

The Organization maintains accounts at several financial institutions. The Federal Deposit Insurance Corporation (FDIC) secures these bank accounts up to \$250,000. At June 30, 2010 and 2009, the Organization had uninsured amounts in the amount of \$-0- and \$-0- respectively.

**8. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used by the Organization in estimating its fair value disclosure for financial statements:

Cash, accounts receivable, endowments, line of credit and payables: The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of these instruments.

Notes receivable: Based on the current interest rates, the fair value of the notes receivable at June 30, 2010 and 2009 is \$49,774 And \$50,508 respectively.

**9. FAIR VALUE INVESTMENTS**

The Organization's investments are reported at fair value in the accompanying Statement of Financial Position.

	Fair Value Measurements at June 30, 2010 Using			
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Aggressive Asset Allocation	\$ 56,995	\$ -	\$ 56,995	\$ -
Advanced Strategies Portfolio	13,414	-	13,414	-
Total Return Bond	18,457	-	18,457	-
Investment Grade Bond	3,125	-	3,125	-
	<u>\$ 91,991</u>	<u>\$ -</u>	<u>\$ 91,991</u>	<u>\$ -</u>

**DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**9. FAIR VALUE INVESTMENTS - CONTINUED**

SFAS No. 157, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted process for identical assets, and Level 3 inputs have the lowest priority. The Plan uses the appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 2 Fair Value Measurements - The fair value of the mutual funds are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly, or indirectly.

Total gains or losses for the year included in  
the Statement of Activities attributable to the  
change in unrealized gains or losses relating to  
investments still held at the reporting date.

\$ 7,451

**10. ENDOWMENT**

The Organization has an endowment with the Community Foundation of Middle Tennessee. The endowment was established by a donor for the benefit of the Organization. The Organization has no control over the type of investments in the endowment.

The activity in the endowment during the year is as follows:

Beginning balance	\$ 11,780
Total gains or losses (realized and unrealized) included in the Statement of Activities	1,518
Purchases, issuances, settlements, and transfers from unallocated to allocated (net)	( 784)
Ending balance	<u>\$ 12,514</u>

**11. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 14, 2011 which is the date the financial statements were available to be issued.

**DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**12. CORRECTION OF AN ERROR**

The Organization determined that several of the outstanding items on its bank reconciliation had been reissued and therefore the items should have not on the reconciliation. Additionally, the Organization determined that one of the reconciling items was double recorded and included in accrued expenses in the prior year. As a result of correcting these items the beginning net assets of the Organization have been restated. The restatement increased the net assets as previously reported at June 30, 2009 and 2008, \$7,340 and \$5,178 respectively. The financial statement presented for the year ended June 30, 2009 has been restated.