

AUTISM FOUNDATION OF TENNESSEE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

AUTISM FOUNDATION OF TENNESSEE, INC.

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Autism Foundation of Tennessee (a Tennessee not-for-profit corporation), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of operations and changes in net deficit, functional expenses, 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 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 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 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.



The Board of Directors
Autism Foundation of Tennessee, Inc.

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, 2013 and 2012, and the changes in its net deficit and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crosslin & Associates, P.C.

Nashville, Tennessee
May 30, 2014

AUTISM FOUNDATION OF TENNESSEE, INC.
STATEMENTS OF FINANCIAL POSITION

	<u>ASSETS</u>	
	December 31,	
	<u>2013</u>	<u>2012</u>
Cash	\$ 29,083	\$ 14,628
Accounts receivable, net	57,582	59,793
Prepaid expenses and other assets	2,700	2,450
Property and equipment, net	95,350	104,339
Undeposited funds	<u>5,958</u>	<u>1,962</u>
Total assets	<u>\$190,673</u>	<u>\$183,172</u>
 <u>LIABILITIES AND NET DEFICIT</u>		
Accounts payable and accrued expenses	\$ 5,447	\$ 21,135
Notes payable	208,253	237,731
Payroll liabilities	<u>22,527</u>	<u>21,198</u>
Total liabilities	<u>236,227</u>	<u>280,064</u>
Net deficit:		
Unrestricted	<u>(45,554)</u>	<u>(96,892)</u>
Total liabilities and net deficit	<u>\$ 190,673</u>	<u>\$ 183,172</u>

See accompanying notes to financial statements.

AUTISM FOUNDATION OF TENNESSEE, INC.
STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT
YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Unrestricted</u>	
	<u>2013</u>	<u>2012</u>
Support:		
Individual/Corporate contributions	\$ 16,895	\$ 26,581
Grants	<u>16,710</u>	<u>-</u>
Special Events Income:		
Golf	27,352	19,293
Other events	250	-
Less expenses	<u>(8,122)</u>	<u>(5,826)</u>
Total special events, net	<u>19,480</u>	<u>13,467</u>
Total support	<u>53,085</u>	<u>40,048</u>
Program Income:		
ABA therapy	570,987	579,779
Speech therapy	36,610	93,640
Occupational therapy	64,294	52,421
Social skills group	5,183	3,350
Summer camp	20,560	19,040
Assessment	<u>254</u>	<u>1,167</u>
Total program income	<u>697,888</u>	<u>749,397</u>
Total revenue	<u>750,973</u>	<u>789,445</u>
Expenses:		
Programs	604,020	754,833
General and administrative	78,730	88,620
Fundraising	<u>16,885</u>	<u>22,000</u>
Total expenses	<u>699,635</u>	<u>865,453</u>
Increase (decrease) in net assets	51,338	(76,008)
Net deficit at beginning of year	<u>(96,892)</u>	<u>(20,884)</u>
Net deficit at end of year	<u><u>\$ (45,554)</u></u>	<u><u>\$ (96,892)</u></u>

See accompanying notes to financial statements.

AUTISM FOUNDATION OF TENNESSEE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2013			
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
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	<u>11,844</u>	<u>-</u>	<u>-</u>	<u>11,844</u>
	<u>\$604,020</u>	<u>\$78,730</u>	<u>\$16,885</u>	<u>\$699,635</u>

	Year Ended December 31, 2012			
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and benefits	\$542,504	\$70,000	\$20,000	\$632,504
Payroll taxes	56,530	5,300	1,500	63,330
Accounting	-	8,020	-	8,020
Facilities and equipment	72,722	-	-	72,722
Office expenses	10,095	-	-	10,095
Bad debts	7,299	-	-	7,299
Insurance	25,864	-	500	26,364
Interest	-	5,300	-	5,300
Depreciation	8,989	-	-	8,989
Other	<u>30,830</u>	<u>-</u>	<u>-</u>	<u>30,830</u>
	<u>\$754,833</u>	<u>\$88,620</u>	<u>\$22,000</u>	<u>\$865,453</u>

See accompanying notes to financial statements.

AUTISM FOUNDATION OF TENNESSEE, INC.
STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 51,338	\$(76,008)
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	7,299
Changes in:		
Receivables	(14,649)	35,150
Prepaid expenses and other assets	(4,246)	(1,962)
Accounts payable and accrued expenses	(15,688)	486
Payroll liabilities	<u>1,329</u>	<u>19,557</u>
Net cash provided by (used in) operating activities	<u>43,933</u>	<u>(6,489)</u>
Cash flows from financing activities:		
(Payments on) proceeds from notes payable	<u>(29,478)</u>	<u>15,798</u>
Increase in cash	14,455	9,309
Cash at beginning of year	<u>14,628</u>	<u>5,319</u>
Cash at end of year	<u>\$ 29,083</u>	<u>\$ 14,628</u>

See accompanying notes to financial statements.

AUTISM FOUNDATION OF TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and General

The Autism Foundation of Tennessee, Inc., (AFT or 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 helps provide speech and occupational therapy as well as ABA therapy (Applied Behavioral Analysis) for children with autism. 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 children with autism 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 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, 2013 and 2012.

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 at their estimated fair value, which reflects an allowance for possible uncollectable accounts. Management evaluates accounts for collectability on an ongoing basis and uses the specific identification method and historical experience to estimate the allowance. Accounts are written off when collectability is considered remote. There was no allowance as of December 31, 2013 or 2012.

AUTISM FOUNDATION OF TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - Continued

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.

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.

AUTISM FOUNDATION OF TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

B. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 and 2012, consisted of the following:

	<u>2013</u>	<u>2012</u>
Leasehold improvements	\$ 109,660	\$ 109,660
Furniture, fixtures and equipment	<u>8,393</u>	<u>8,393</u>
Total property and equipment	118,053	118,053
Less accumulated depreciation	<u>(22,703)</u>	<u>(13,714)</u>
	<u>\$ 95,350</u>	<u>\$ 104,339</u>

C. NOTES PAYABLE

Notes payable at December 31, 2013 and 2012, consisted of the following:

	<u>2013</u>	<u>2012</u>
Related parties	\$168,253	\$178,731
Fifth-Third Bank (\$60,000 line-of-credit)	<u>40,000</u>	<u>59,000</u>
	<u>\$208,253</u>	<u>\$237,731</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 was renewed on September 2, 2013 and matures on September 1, 2014, and is collateralized by an assignment certificate of deposit of the Blakes. It bears interest at 3.25% as of December 31, 2013.

AUTISM FOUNDATION OF TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

D. OPERATING LEASES

The Foundation leases two offices under noncancelable operating leases. Total rent expense was \$55,220 and \$59,260 for 2013 and 2012, respectively. One of the leases is from a related party who is an officer of AFT. 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:

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$ 56,640
2015	57,240
2016	<u>23,120</u>
	<u>\$137,000</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, 2014, the date the financial statements were available for issuance, and has determined that there are no subsequent events that require disclosure, other than with respect to the lease extension as discussed in Note D.