

CUMBERLAND COMMUNITY OPTIONS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(With Independent Auditor's Report Thereon)

Table of Contents

Independent Auditors Report.....	Page 1
Financial statements.....	Page 3-6
Notes to financial statement.....	Page 7-10
Supplemental information.....	Page 11

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, 2020 and 2019, and the related statements of activities, functional expense 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 comparative 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 comparative 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 comparative 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, 2019 and 2018, 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 and the Roster of Board and Management Members, 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, 2020 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 solely 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 the effectiveness of 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.

A J Farmer, CPA

Franklin, Tennessee
December 02, 2020

CUMBERLAND COMMUNITY OPTIONS, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 166,211	\$ 142,858
Accounts receivable State of Tennessee contract	97,540	118,725
Accounts receivable - other	3,006	1,099
Prepaid expense	-	-
Employee receivable	571	611
	<hr/>	<hr/>
Total Current Assets	267,328	263,293
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT		
Land	240,000	240,000
Buildings	382,871	382,871
Furniture and equipment	48,855	48,855
Less accumulated depreciation	147,695	137,400
	<hr/>	<hr/>
Total Property and Equipment	524,031	534,326
	<hr/>	<hr/>
Total Assets	<u>\$ 791,359</u>	<u>\$ 797,619</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	\$ 53,630	\$ 49,981
Accounts payable	-	-
Mortgage payable - short term	35,291	33,206
	<hr/>	<hr/>
Total Current Liabilities	88,921	83,187
	<hr/>	<hr/>
Mortgage payable - long term	163,301	198,073
	<hr/>	<hr/>
Total liabilities	252,222	281,260
	<hr/>	<hr/>
NET ASSETS		
Without donor restrictions	535,750	512,972
Board designated funds	3,387	3,387
	<hr/>	<hr/>
Total Net Assets	539,137	516,359
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 791,359</u>	<u>\$ 797,619</u>

See notes to financial statements.

CUMBERLAND COMMUNITY OPTIONS, INC.
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Changes in net assets without donor restrictions:		
Support and revenue		
State of Tennessee contract revenue	\$ 1,113,487	\$ 1,105,108
Donations	6,450	7,378
Total support and revenue	<u>1,119,938</u>	<u>1,112,486</u>
Expenses:		
Program Services	870,814	831,924
Management and General	226,345	201,258
Total expenses	<u>1,097,160</u>	<u>1,033,182</u>
Increase (decrease) in net assets without donor restrictions	22,778	79,304
Net assets, beginning of year	<u>516,359</u>	<u>437,056</u>
Net assets, end of year	<u>\$ 539,137</u>	<u>\$ 516,359</u>

See notes to financial statements.

CUMBERLAND COMMUNITY OPTIONS, INC.
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSE
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Support & Client Assistance	Management & General	Total	Support & Client Assistance	Management & General	Total
Salaries	\$ 589,318	95,935	685,253	\$ 572,943	93,270	666,213
Payroll taxes	47,812	7,783	55,595	46,311	7,539	53,850
Employee benefits	99,818	24,954	124,772	75,372	18,843	94,216
Bank charges	-	406	406	-	110	110
Professional services	2,969	11,314	14,283	-	11,577	11,577
Supplies	-	2,127	2,127	-	2,131	2,131
Communications	2,597	13,028	15,624	3,082	12,804	15,886
Rent	48,896	-	48,896	51,297	-	51,298
Insurance	22,237	7,026	29,263	22,325	9,395	31,719
Travel / vehicle expense	39,474	4,818	44,292	42,414	4,493	46,907
Training	2,632	-	2,632	3,769	-	3,769
Equipment lease	-	4,795	4,795	-	4,681	4,681
Equipment repairs and maintenance	2,316	2,676	4,992	2,506	-	2,506
Advertising	-	-	-	-	-	-
License and permits	-	2,380	2,380	-	2,220	2,220
Utilities	10,703	-	10,703	11,149	-	11,149
Back ground checks	443	-	443	179	-	179
Interest	-	27,677	27,677	-	17,226	17,226
Miscellaneous	1,601	10,944	12,546	577	6,673	7,250
Fundraising	-	186	186	-	-	-
Depreciation	-	10,295	10,295	-	10,295	10,295
	\$ 870,814	226,345	1,097,160	\$ 831,924	201,258	1,033,182

See notes to financial statements.

CUMBERLAND COMMUNITY OPTIONS, INC.
COMPARATIVE STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 22,778	79,304
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
Depreciation	10,295	10,295
(Increase) decrease in contract receivable	21,185	(18,112)
(Increase) decrease in accounts receivable	(1,867)	5,501
(Increase) decrease in prepaid expense	-	-
Increase (decrease) in accounts payable	-	(833)
Increase (decrease) in accrued liabilities	3,649	3,920
	<hr/>	<hr/>
Total adjustments	33,262	773
	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	56,040	80,077
	<hr/>	<hr/>
Cash Flows From Investing Activities		
Acquisition of plant, property, and equipment	-	-
	<hr/>	<hr/>
Net Cash Used by Investing Activities	-	-
	<hr/>	<hr/>
Cash Flows From Financing Activities		
Net borrowing (repayments)	(32,687)	(30,538)
Net Cash Provided by Financing Activities	<hr/> (32,687) <hr/>	<hr/> (30,538) <hr/>
Increase (decrease) in cash	23,353	49,539
Cash, beginning of year	<hr/> 142,858 <hr/>	<hr/> 93,319 <hr/>
Cash, end of year	<hr/> \$ 166,211 <hr/>	<hr/> \$ 142,858 <hr/>
Supplemental disclosures:		
Cash paid for interest	<hr/> \$ 27,677 <hr/>	<hr/> \$ 17,226 <hr/>

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 and ASU 2016-14 which updates ASC 958. Under FASB ASU 2016-14, the Corporation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, based upon the existence or absence of donor-imposed restrictions. (The Corporation has no assets which meet the definition of donor restricted net assets either temporarily or in perpetuity). In addition, the Corporation reports information regarding contributions in accordance with ASU 2016-14. Contributions received are recorded as without donor restrictions, or with donor restrictions, 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 Corporation has prepared its financial statements in accordance with US generally accepted accounting principles. The Organization has implemented ASU 2016-14 Financial Statements for Not For Profits. This ASU requires changes to net asset classifications and disclosures about the liquidity of assets among other requirements not applicable to this Organization.

New Accounting Pronouncement – On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Net assets without donor restrictions for any purpose in performing the primary objectives of the Corporation.

Net assets with donor restrictions are subject to stipulations by the donor either temporarily or in perpetuity.

Measure of operations – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Corporations ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

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

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

3. Availability and Liquidity

The following represents the financial assets at June 30, 2020 and 2019:

Cash and cash equivalents as of June 30, 2020 and 2019 is \$166,211 and \$142,858 respectively.
Accounts receivable as of June 30, 2020 and 2019 is \$97,540 and \$118,745 respectively.

The Corporation's goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately \$240,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

4. 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.
5. Contributions. All contributions are considered to be available for current operations unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes or in perpetuity are reported as with donor restriction. restricted support that increases those net assets classes. When a temporary restriction expires, net assets with donor restrictions are reclassified to net assets with no donor restrictions 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 net assets without donor restricted.
6. 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
7. 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.
8. 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.
9. 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.
10. 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.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

11. 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 \$7,246.20 and \$7,314.76 for the years ended June 30, 2020 and 2019 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 \$97,540 and \$118,725 for the years ended June 30, and 2020 and 2019 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, 2020 and 2019 for these costs as no determination has been made by the grantor agencies as to any amount for any grant.

NOTE D – COMMITMENTS:

Cumberland Community Options, Inc. maintains a lease for a copier as of June 30, 2020 and 2019, with monthly lease payments of \$325 this lease is not considered a capital lease under US generally accepted accounting principles.

The Organization has a mortgage payable to Regions Bank of \$198,592 as of June 30, 2020 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:

2021	35,291
2022	37,786
2023	40,976
2024	43,317
2025	41,222

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

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, 2020 and 2019. At June 30, 2020 and 2019 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.

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, 2020.

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).

SUPPLEMENTAL INFORMATION

**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, 2020 and 2019, 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 December 02, 2020.

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.

Franklin, Tennessee
December 02, 2020

CUMBERLAND COMMUNITY OPTIONS, INC.
SCHEDULE OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Grantor / Program Title	Federal CFDA Number	Grant Number	Federal Award Amount	State Award Amount	Balance June 30, 2019	(2) Receipts	Federal Disbursements Expenditures	State Disbursements Expenditures	Total	(1) Balance June 30, 2020
Tennessee Department of Finance and Administration Division of Intellectual Disabilities Services and Bureau of TennCare		10-163			118,725	1,085,139		1,063,954	1,063,954	97,540
Total					\$ 118,725	1,085,139	-	1,063,954	1,063,954	\$ 97,540

(1) Balance owed Cumberland Community Options, Inc. as of June 30, 2020

(2) Receipts do not include money earned for the fiscal year ended June 30, 2020 but not yet received.

See notes to financial statements.

CUMBERLAND COMMUNITY OPTIONS, INC
ROSTER OF BOARD AND MANAGEMENT
MEMBERS JUNE 30, 2020

Kathy Harding, Executive Director

Nancy Brenner, President

Steve Brenner, Treasurer

James Wallace, Secretary

Linda Hinton, Director

Brenda Conner, Director

Joe Toney, Director