

**UNITED CEREBRAL PALSY OF MIDDLE  
TENNESSEE, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2013**

**UNITED CEREBRAL PALSY OF MIDDLE  
TENNESSEE, INC.**

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## (INDEPENDENT AUDITORS' REPORT)

To the Board of Directors  
**United Cerebral Palsy of Middle Tennessee, Inc.**  
Nashville, Tennessee

We have audited the accompanying financial statements of United Cerebral Palsy of Middle Tennessee, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2013, and the related statement of activities and cash flows for the year 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 of 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.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Cerebral Palsy of Middle Tennessee, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*CPA Consulting Group, PLLC*

Nashville, Tennessee  
December 19, 2013

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2013**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 60,268
Accounts receivable	4,023
Grants receivable	47,354
Inventory	281,361

<b>TOTAL CURRENT ASSETS</b>	<u>393,006</u>
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<b>PROPERTY AND EQUIPMENT – NET</b>	<u>421,357</u>
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**OTHER ASSETS**

Beneficial interest in charitable remainder trust	1,008,428
Loan costs, less accumulated amortization of \$708	580
Cash value - life insurance	5,642

<b>TOTAL OTHER ASSETS</b>	<u>1,014,650</u>
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<b>TOTAL ASSETS</b>	<u><u>\$ 1,829,013</u></u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 3,390
Accrued wages	2,449
Accrued vacation	18,690
Payroll liabilities	2,352
Current portion of long term debt	1,612

<b>TOTAL CURRENT LIABILITIES</b>	<u>28,493</u>
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**LONG-TERM LIABILITIES**

Note payable	96,352
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<b>TOTAL LONG-TERM LIABILITIES</b>	<u>96,352</u>
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<b>TOTAL LIABILITIES</b>	<u>124,845</u>
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**NET ASSETS**

Unrestricted	684,883
Temporarily Restricted	10,857
Permanently Restricted	1,008,428

<b>TOTAL NET ASSETS</b>	<u>1,704,168</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,829,013</u></u>
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See accompanying notes to financial statements and independent auditor's report.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>				
Contributions & Grants	\$ 536,361	\$ 5,831	\$ -	\$ 542,192
In-kind Donations	459,607	-	-	459,607
Investment Return	132	-	-	132
Rental income	17,621	-	-	17,621
Special Events Income	143,344	-	-	143,344
Net assets released from restriction	<u>36,965</u>	<u>(36,965)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<u>1,194,030</u>	<u>(31,134)</u>	<u>-</u>	<u>1,162,896</u>
<b>EXPENSES</b>				
Program services	1,101,493	-	-	1,101,493
Management & General Expenses	64,425	-	-	64,425
Special Events Direct Expenses	49,803	-	-	49,803
Rental Property Expenses	<u>17,392</u>	<u>-</u>	<u>-</u>	<u>17,392</u>
<b>TOTAL EXPENSES</b>	<u>1,233,113</u>	<u>-</u>	<u>-</u>	<u>1,233,113</u>
<b>LOSS ON SALE OF PROPERTY</b>	(60,146)	-	-	(60,146)
<b>CHANGE IN NET ASSETS</b>	(99,229)	(31,134)	-	(130,363)
<b>NET ASSETS:</b>				
<b>BEGINNING OF YEAR</b>	784,112	41,991	943,171	1,769,274
Change in Value of Split- Interest Agreement	<u>-</u>	<u>-</u>	<u>65,257</u>	<u>65,257</u>
<b>END OF YEAR</b>	<u>\$ 684,883</u>	<u>\$ 10,857</u>	<u>\$ 1,008,428</u>	<u>\$ 1,704,168</u>

See accompanying notes to financial statements and independent auditor's report.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	PROGRAM SERVICES							SUPPORTING SERVICES				Total Expenses
	All Together Kids	Educational Travel	Equipment Exchange	Family Support	Home Access	Other Programs	Total Program Services	Management & General	Fundraising	Rental Property	Total Supporting Services	
Amortization Client	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129	\$ -	\$ -	\$ 129	\$ 129
Assistance	2,264	22,744	267	250,035	69,528	5,328	350,166	-	-	-	-	350,166
Depreciation	333	-	2,401	2,094	2,455	1,795	9,078	1,500	534	5,845	7,879	16,957
Dues & Fees	242	300	1,563	2,078	2,390	305	6,878	2,904	254	10	3,168	10,046
Taxes, Fees and Licenses	-	-	-	-	-	-	-	803	-	-	803	803
Food	8	10	27	-	37	8	90	26	356	-	382	472
In-Kind Donations	-	-	437,391	-	-	-	437,391	-	-	-	-	437,391
Insurance	686	2,340	8,410	5,028	6,400	5,732	28,596	2,424	1,355	-	3,779	32,375
Interest	-	-	-	-	-	-	-	6,702	-	-	6,702	6,702
Internet	177	192	532	302	730	167	2,100	510	311	-	821	2,921
Management & Leasing Fees	-	-	-	-	-	-	-	-	-	2,155	2,155	2,155
Mileage and Travel	3	7	10	173	409	135	737	10	393	-	403	1,140
Payroll Expenses	5,905	7,331	38,220	50,628	56,240	28,781	187,105	38,690	12,747	-	51,437	238,542
Postage	27	29	81	992	114	25	1,268	78	97	-	175	1,443
Printing	-	-	-	-	-	-	-	-	1,038	-	1,038	1,038
Professional Services	410	849	6,773	488	1,696	8,080	18,296	6,208	4,768	-	10,976	29,272
Property Tax	-	-	-	-	-	-	-	-	-	4,783	4,783	4,783
Repairs & Maintenance	-	-	-	-	-	-	-	-	-	4,309	4,309	4,309
Supplies	340	370	2,903	1,522	46,286	387	51,808	1,131	27,789	-	28,920	80,728
Telephone	190	204	509	2,190	687	181	3,961	426	61	-	487	4,448
Utilities	258	281	777	1,392	1,068	243	4,019	2,884	100	290	3,274	7,293
<b>Total Program and Supporting Services</b>	<b>\$ 10,843</b>	<b>\$ 34,657</b>	<b>\$ 499,864</b>	<b>\$316,922</b>	<b>\$188,040</b>	<b>\$51,167</b>	<b>\$1,101,493</b>	<b>\$64,425</b>	<b>\$49,803</b>	<b>\$ 17,392</b>	<b>\$131,620</b>	<b>\$ 1,233,113</b>

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Decrease in net assets	\$ (130,363)
Adjustments to reconcile increase in net assets to net cash flows provided by operating activities:	
Amortization	129
Depreciation	16,957
Loss on sale of rental property	60,146
(Increase) decrease in operating assets	
Accounts receivable	(1,128)
Grants receivable	(38,740)
Inventory	(22,216)
Increase (decrease) in operating liabilities	
Accounts payable	(23,186)
Accrued expenses	(6,098)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(144,499)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sale of rental property	-
	<u>66,600</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal payments on note payable	<u>(1,507)</u>
<b>NET USED IN FINANCING ACTIVITIES</b>	<u>(1,507)</u>

<b>NET DECREASE IN CASH</b>	(79,406)
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<b>BEGINNING CASH</b>	<u>139,674</u>
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<b>ENDING CASH</b>	<u><u>\$ 60,268</u></u>
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**See accompanying notes to financial statements and independent auditor's report.**

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General and Nature of Activities**

United Cerebral Palsy of Middle Tennessee, Inc. (UCP) was incorporated under the laws of the State of Tennessee as a nonprofit organization May 23, 1985. The Organization's mission is to advance the independence, productivity, and full citizenship of people with all disabilities through a variety of hands-on services, and to provide support to family members and caregivers.

**Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At June 30, 2013, the Organization had no cash equivalents.

**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 UCP's policy to capitalize property and equipment over \$1,500. 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. Property and equipment are depreciated using the straight-line method over the estimated useful life of the asset ranging from 5 – 40 years. Expenditures for repairs and maintenance are charged to expense as incurred.

**Inventory**

Inventory consists of donated equipment to be used in the Equipment Exchange program. It is stated at estimated fair value based on its condition at the date of the donation.



**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Intangible Assets**

Intangible assets include loan costs on a refinance of the building loan and are amortized over 120 months. Total amortization expense of intangible assets for the year ended June 30, 2013 was \$129.

**Functional Allocation of Expenses**

The costs of providing the programs and support services have been summarized on a functional basis in the statement of activities and statement of functional expenses. The statement of functional expenses has been prepared by allocating expenses between programs and supporting services.

**Fair Values of Financial Instruments**

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments. The fair value of the note payable approximates the carrying amount and is estimated based on current rates offered to the Organization.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

**Grants Receivable**

The Organization receives several grants from the State of Tennessee. Most of these grants require submission of reimbursement requests before funds are disbursed. Grant revenue is recognized as these expenses are incurred. Grants receivable totaled \$47,354 at June 30, 2013.

UCP also receives a grant from the Tennessee Housing Development Agency. The Organization subcontracts for wheelchair ramps to be built and then requests payment from THDA for these ramps. The subcontractor must submit to the Organization a package of paperwork after the ramp is complete. It is the Organization's accounting policy not to submit the request to the State until the subcontractor has fulfilled its paperwork obligation. On occasion, paperwork has been submitted after the ramp is complete. Because of this unique policy, the Organization recognizes revenue from this grant when the reimbursement request is sent to the State.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income Taxes**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

**Subsequent Events**

Management has evaluated subsequent events through December 19, 2013, the date the financial statements were available to be issued.

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

The organization maintains its cash balances at several different banks. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. Cash in bank deposit accounts, at times during the year, may exceed federally insured limits. At June 30, 2013, the Company had no amounts in excess of FDIC insured limits.

The organization has state contracts which represent a significant source of revenue, amounting to approximately \$400,102 during the year ended June 30, 2013. Loss of any of these contracts would result in a loss of the programs they support.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable is comprised of \$3,326 due to the organization from an outside party who hosts a fundraiser benefitting the organization and \$697 for June 2013 rental income received in July 2013.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4 – TEMPORARILY RESTRICTED ASSETS**

The Burch family started a fund for persons of multiple births in which one or more of the persons has cerebral palsy and lives in the Franklin, Tennessee community. Each year the family makes a restricted donation to be used for medical equipment, therapy, and other needs of the qualified applicants. Total temporarily restricted net assets related to this fund at June 30, 2013 are \$3,331.

UCP received a \$5,026 grant to be used for computer and technology purchases. The Organization's goal is to transition their computers and telephone systems to a unified communications and technology platform utilizing cloud based and VOIP technologies. Total temporarily restricted net assets related to this grant at June 30, 2013 are \$5,026.

UCP received a \$2,500 Predators grant during the year ended June 30, 2013 that had not been expended as of June 30, 2013.

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2013:

Buildings	\$ 472,949
Building Improvements	117,264
Vehicles	10,717
Furniture & Equipment	35,162
Less: Accumulated depreciation	<u>(214,735)</u>
Total Property and Equipment	<u>\$ 421,357</u>

Depreciation expense for the year ended June 30, 2013 is \$16,957.

**NOTE 6 – LONG-TERM DEBT**

The Organization has a note payable to Southeast Financial with an outstanding balance of \$97,964 at June 30, 2013. The note is secured by a building which is the facility from which UCP operates. The loan is payable in monthly installments of \$681 including interest at 6.75% per annum, and is scheduled to mature on January 7, 2018.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

Future principal payments under note payable obligations as of June 30, 2013 for each of the remaining years and in the aggregate are as follows:

Year Ending:	Amount
June 30, 2014	1,612
2015	1,724
2016	1,844
2017	1,973
2018	90,811
Total	<u>\$ 97,964</u>

**NOTE 7 - DONATED PROPERTY**

UCP receives donated equipment from various sources for use in their Equipment Exchange program. Donated property is included in In-kind donations on the statement of activities at estimated fair values amounting to \$459,607 for the year ended June 30, 2013. At June 30, 2013 there was \$281,361 of donated equipment listed as Inventory on the balance sheet for the Equipment Exchange program.

UCP received two parcels of residential rental property through a bequest from the Estate of William Porter in October 2010. The properties were recorded as contribution revenue at their fair market value on the date of the donation. The total value of the properties was \$245,100 and is part of the “Buildings” total in Property and Equipment (**See Note 5**). One of the properties valued at \$135,800 was sold in May 2013. The property sold for \$72,975 and after commissions and fees were deducted, UCP received \$65,623.

The Organization receives rental income from these properties which is reported as “Rental Income” on the Statement of Activities. A property management company manages the properties and distributes the rental income less property management fees to UCP. Rental expenses for the property are reported on the Statement of Functional Expenses. There are no formal lease agreements for these properties, and the lease income is currently on a month to month basis.

**NOTE 8 - CASH FLOW INFORMATION**

There were no income taxes paid. During the year, total interest paid was \$6,702.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 9 – EMPLOYEE BENEFIT PLAN**

On February 1, 2008, the Organization adopted a 401(k) plan covering substantially all of its employees. Employees may contribute up to the maximum allowable under the Internal Revenue Code. Under the plan, the Organization may make discretionary matching contributions. The Organization did not make a matching contribution for the year ended June 30, 2013.

**NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts reported in the statement of financial position for cash and cash equivalents, receivables, inventory, and accounts payable approximate their fair value.

**NOTE 11—PERMANENTLY RESTRICTED ASSETS**

The Organization has been named a remainder beneficiary of a charitable remainder trust, which was created upon the death of the trust settlor. An income beneficiary is to receive, first from income and, to the extent that income is insufficient, from principal, a total annuity each year equal to a 1% of the net fair market value of the trust assets. Upon the death of the income beneficiary, the remaining principal is to be distributed to the Organization. A noncurrent asset for the remainder interest in the trust has been recognized at the present value of the expected future cash flow payments discounted at a rate of 3.4%. The expected future cash flow of \$1,008,428 represents the Organization's share of the fair market value of the trust principal at June 30, 2013. Changes in the value of the trust have been reported in the statement of activities as an increase in permanently restricted net assets.

**NOTE 12 – SUBSEQUENT EVENTS**

UCP received a \$15,000 grant from the HCA Foundation in August 2013.

UCP has collected \$203,956 in other funds related to existing grants since June 30, 2013 through the date of the financial statements.

One of the residential properties received through a bequest from the Estate of William Porter in October 2010 was sold in December 2013. The property sold for \$47,000 and after commissions and fees were deducted, UCP received \$42,820.