

**DOWN SYNDROME ASSOCIATION
OF MIDDLE TENNESSEE**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

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BELLENFANT + MILES, P.C.
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, 2008 and 2007, 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, 2008 and 2007, 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, P.C.

December 29, 2008

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash	\$ 88,548	\$ 62,988
Current portion of mortgage receivable	1,328	1,328
Investment	81,578	89,920
Agency endowment fund	<u>15,848</u>	<u>16,432</u>
Total Current Assets	<u>187,302</u>	<u>170,668</u>
Furniture and Equipment:		
Furniture and equipment	18,586	18,586
Less: accumulated depreciation	<u>(15,382)</u>	<u>(13,344)</u>
Furniture and Equipment, net	<u>3,204</u>	<u>5,242</u>
Other Assets:		
Mortgage receivable, net of current portion	<u>114,043</u>	<u>115,371</u>
Total Assets	<u><u>\$ 304,549</u></u>	<u><u>\$ 291,281</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	2,045	902
Accrued wages and payroll taxes	<u>3,199</u>	<u>285</u>
Total Current Liabilities	<u>5,244</u>	<u>1,187</u>

Net Assets

Unrestricted	287,430	282,094
Temporarily restricted	3,825	-
Permanently Restricted	<u>8,050</u>	<u>8,000</u>
Total Net Assets	<u>299,305</u>	<u>290,094</u>
Total Liabilities and Net Assets	<u><u>\$ 304,549</u></u>	<u><u>\$ 291,281</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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Unrestricted net assets:		
Unrestricted revenue and support		
Donations	\$ 28,404	\$ 34,088
Program fees - government contracts	-	-
Program fees - other	1,708	22,154
Fund-raising	159,228	143,816
Investment return	(401)	7,214
Loss on value of investment	(8,342)	(605)
Net Assets released from restrictions	-	5,000
Total Unrestricted Support and Revenue	<u>180,597</u>	<u>211,667</u>
Expenses		
Program Services:	119,033	133,610
Supporting services		
Management and general	29,334	29,560
Fundraising	26,894	26,165
Total unrestricted expenses	<u>175,261</u>	<u>189,335</u>
Increase (decrease) in unrestricted net assets	<u>5,336</u>	<u>22,332</u>
Temporarily restricted net assets:		
Grants	3,825	5,000
Donations		
Net Assets released from restrictions	-	(5,000)
Increase (decrease) in temporarily restricted net assets	<u>3,825</u>	<u>-</u>
Permanently restricted net assets:		
Donations		
Endowment	50	-
Increase in permanently restricted net assets	<u>50</u>	<u>-</u>
Increase (decrease) net assets	9,211	22,332
Net assets - beginning of the year	<u>290,094</u>	<u>267,762</u>
Net assets - end of the year	<u><u>\$ 299,305</u></u>	<u><u>\$ 290,094</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, 2008 AND 2007

	2008				2007			
	Supporting Service				Supporting Service			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Wages	\$ 56,436	\$ 8,820	\$ 900	\$ 66,156	\$ 51,541	\$ 8,330	\$ 850	\$ 60,721
Payroll taxes	4,501	703	72	5,276	4,655	752	77	5,484
Total salaries and related expenses	60,937	9,523	972	71,432	56,196	9,082	927	66,205
Licenses and fees	-	285	-	285	-	245	-	245
Depreciation	1,738	272	28	2,038	1,730	280	29	2,039
Dues and subscriptions	86	13	1	100	394	64	7	465
Employee benefits	2,234	349	36	2,619	1,933	313	32	2,278
Insurance	2,744	429	44	3,217	1,605	259	26	1,890
Interest	13	2	-	15	4,375	708	72	5,155
Rent	3,685	576	59	4,320	4,069	658	67	4,794
Professional services	-	10,085	1,807	11,892	-	4,475	13,717	18,192
Postage	239	37	4	280	182	29	3	214
Printing	1,195	53	5	1,253	11,765	1,810	185	13,760
Conferences and events	38,317	-	23,729	62,046	45,566	-	10,994	56,560
Supplies	1,682	263	27	1,972	2,472	400	41	2,913
Telephone	4,884	763	78	5,725	3,323	537	55	3,915
Travel and transportation	1,279	200	20	1,499	-	-	-	-
Other	-	6,484	84	6,568	-	10,700	10	10,710
Total Expenses	\$ 119,033	\$ 29,334	\$ 26,894	\$ 175,261	\$ 133,610	\$ 29,560	\$ 26,165	\$ 189,335

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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 9,211	\$ 22,332
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,038	2,039
Loss on value of investment	8,342	605
(Increase) decrease in:		
Accounts receivable	-	2,499
Mortgage receivable	1,328	1,328
Increase (decrease) in:		
Accounts payable	1,143	(941)
Accrued wages and payroll taxes	<u>2,914</u>	<u>(1,018)</u>
Net Cash Provided by Operating Activities	<u>24,976</u>	<u>26,844</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in Agency Endowment Fund	584	(2,327)
Purchase of investments	<u>-</u>	<u>(90,525)</u>
Net Cash Provided (Used) by Investing Activities	<u>584</u>	<u>(92,852)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Line of Credit	<u>-</u>	<u>(59,982)</u>
Net Cash Used by Investing Activities	<u>-</u>	<u>(59,982)</u>
Net Decrease in Cash	25,560	(125,990)
Cash - Beginning of Year	<u>62,988</u>	<u>188,978</u>
Cash - End of Year	<u><u>\$ 88,548</u></u>	<u><u>\$ 62,988</u></u>

SUPPLEMENTAL INFORMATION FOR THE STATEMENT OF CASH FLOWS

CASH PAID DURING THE YEAR FOR:

Interest	<u><u>\$ 15</u></u>	<u><u>\$ 5,155</u></u>
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The accompanying notes are an integral part of this statement

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

Down Syndrome Association of Middle Tennessee (DSAMT) 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.

Contributed Services:

During the years ended June 30, 2008 and 2007, 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, 2008 AND 2007

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONT.

Financial Statement Presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, 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 Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made," in accounting for contributions received. In accordance with SFAS No. 116, 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, 2008 and 2007 are time restricted and will be reclassified to unrestricted net assets upon expiration of the time restriction.

Cash Equivalents:

For purposes of the statement of cash flows, the Agency 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, 2008 AND 2007

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONT.

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:

Technology	\$ 2,600
Spanish materials translation	1,225
	<u>\$ 3,825</u>

Permanently restricted net assets consist of the following:

	<u>2008</u>	<u>2007</u>
Endowment Funds	<u>\$ 8,050</u>	<u>\$ 8,000</u>

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2007</u>	<u>2006</u>
Computer equipment	\$ 7,871	\$ 7,871
Furnishings	6,402	6,402
Leasehold improvements	4,313	4,313
	<u>18,586</u>	<u>18,586</u>
	<u>(15,382)</u>	<u>(13,344)</u>
	<u>\$ 3,204</u>	<u>\$ 5,242</u>

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 7.00% and 9.25% for the years ended June 30, 2008 and 2007 respectively

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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, 2008 and 2007, the approximated balance on the loans was \$39,194 and \$40,611, 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 \$318 beginning September 1, 2005 and ending August 31, 2008. The rent was scheduled to increase to \$360 per month September 1, 2007.

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

2009	\$ 720
	<u>\$ 720</u>

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 \$100,000. At June 30, 2008 and 2007, the Organization had uninsured amounts in the amount of \$-0- and \$-0- respectively.

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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, 2008 and 2007 is \$51,195 And \$51,839 respectively

9. INVESTMENTS

Investments are stated at fair value and consist of equity securities:

	June 30, 2008		
	Market Value June 30, 2008	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	<u>\$ 89,920</u>	<u>\$ 81,578</u>	<u>\$ (8,342)</u>

Investment return is summarized as follows:

Net realized and unrealized income (loss)	<u>\$ (8,342)</u>
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	June 30, 2007		
	Cost or Donated Value	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	<u>\$ 90,525</u>	<u>\$ 89,920</u>	<u>\$ (605)</u>

Investment return is summarized as follows:

Net realized and unrealized income (loss)	<u>\$ (605)</u>
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