

CUMBERLAND COMMUNITY OPTIONS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(With Independent Auditor's Report Thereon)

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, 2015 and 2014, and the related statements of activities, 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 consolidated 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 consolidated 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 consolidated 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, 2015 and 2014, 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, 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 xx, 2015 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 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 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.

Franklin, Tennessee
November xx, 2015

CUMBERLAND COMMUNITY OPTIONS, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 84,518	\$ 122,497
Accounts receivable State of Tennessee contract	95,579	104,467
Prepaid expense	-	14,873
Employee receivable	923	542
Total Current Assets	181,020	242,379
PROPERTY AND EQUIPMENT		
Land	240,000	240,000
Buildings	382,871	382,871
Furniture and equipment	48,071	41,217
Less accumulated depreciation	93,359	81,865
Total Property and Equipment	577,583	582,223
Total Assets	\$ 758,603	\$ 824,602
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	\$ 49,210	\$ 46,662
Accounts payable	-	-
Mortgage payable - short term	23,653	23,519
Total Current Liabilities	72,863	70,181
Mortgage payable - long term	317,998	341,286
Total liabilities	390,861	411,467
NET ASSETS		
Unrestricted	364,356	409,749
Board designated funds	3,387	3,387
Total Net Assets	367,742	413,135
Total Liabilities and Net Assets	\$ 758,603	\$ 824,602

See notes to financial statements.

CUMBERLAND COMMUNITY OPTIONS, INC.
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Changes in unrestricted net assets:		
Support and revenue		
State of Tennessee contract revenue	\$ 1,127,567	\$ 1,208,563
United Way	-	19,376
Donations	<u>7,011</u>	<u>291</u>
Total support and revenue	<u>1,134,578</u>	<u>1,228,230</u>
Expenses:		
Program Services		
Support and client assistance	899,569	998,509
Management and General	<u>280,402</u>	<u>286,000</u>
Total expenses	<u>1,179,971</u>	<u>1,284,509</u>
Increase (decrease) in unrestricted net assets	(45,395)	(56,279)
Net assets, beginning of year	<u>413,135</u>	<u>469,414</u>
Net assets, end of year	<u><u>\$ 367,742</u></u>	<u><u>\$ 413,135</u></u>

See notes to financial statements.

CUMBERLAND COMMUNITY OPTIONS, INC.
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSE
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	Support & Client Assistance	Management & General	Total	Support & Client Assistance	Management & General	Total
Salaries	\$ 655,941	106,781	762,722	\$ 706,318	114,982	821,300
Payroll taxes	50,677	8,250	58,926	53,962	8,784	62,746
Employee benefits	61,908	15,477	77,385	89,984	22,496	112,481
Bank charges	-	105	105	-	127	127
Professional services	2,684	10,981	13,665	3,346	10,642	13,988
Supplies	-	1,900	1,900	-	2,449	2,449
Communications	2,888	14,238	17,127	3,278	13,277	16,556
Rent	47,806	-	47,806	54,756	-	54,757
Insurance	22,528	60,241	82,769	22,499	54,614	77,113
Travel / vehicle expense	38,653	7,831	46,483	44,231	6,971	51,202
Training	170	-	170	990	-	990
Equipment lease	-	4,104	4,104	-	5,548	5,548
Equipment repairs and maintenance	3,026	-	3,026	2,275	-	2,275
Advertising	-	150	150	-	100	100
License and permits	-	3,520	3,520	-	2,135	2,135
Utilities	11,475	-	11,475	13,996	-	13,996
Back ground checks	315	-	315	368	-	368
Interest	-	24,611	24,611	-	26,160	26,160
Miscellaneous	1,495	10,720	12,215	2,507	7,402	9,909
Depreciation	-	11,494	11,494	-	10,312	10,312
	\$ 899,569	280,402	1,179,971	\$ 998,509	286,000	1,284,509

See notes to financial statements.

CUMBERLAND COMMUNITY OPTIONS, INC.
COMPARATIVE STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2015</u> <u>2014</u>	<u>2014</u> <u>2013</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (45,395)	(56,279)
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
Depreciation	11,494	10,312
(Increase) decrease in contract receivable	8,888	81,471
(Increase) decrease in accounts receivable	(381)	210
(Increase) decrease in prepaid expense	14,873	3,303
Increase (decrease) in accrued liabilities	2,548	(9,260)
Total adjustments	37,422	86,036
Net Cash Provided (Used) by Operating Activities	(7,973)	29,757
Cash Flows From Investing Activities		
Acquisition of plant, property, and equipment	(6,854)	(2,980)
Net Cash Used by Investing Activities	(6,854)	(2,980)
Cash Flows From Financing Activities		
Net borrowing (repayments)	(23,153)	(21,605)
Net Cash Provided by Financing Activities	(23,153)	(21,605)
Increase (decrease) in cash	(37,979)	5,172
Cash, beginning of year	122,497	117,325
Cash, end of year	\$ 84,518	\$ 122,497
Supplemental disclosures:		
Cash paid for interest	\$ 24,611	\$ 26,160

See notes to financial statements.

CUMBERLAND COMMUNITY OPTIONS, INC.
SCHEDULE OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Grantor / Program Title	Federal CFDA Number	Grant Number	Federal Award Amount	State Award Amount	Balance June 30, 2014	(2) Receipts	Federal Disbursements Expenditures	State Disbursements Expenditures	Total	(1) Balance June 30, 2015
Tennessee Department of Finance and Administration Division of Intellectual Disabilities Services and Bureau of TennCare		10-163			104,467	1,136,455		1,125,242	1,125,242	93,254
Total					\$ 104,467	1,136,455	-	1,125,242	1,125,242	93,254

(1) Balance owed Cumberland Community Options, Inc. as of June 30, 2015
(2) Receipts do not include money earned for the fiscal year ended June 30, 2015 but not yet received.

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. Under FASB ASC 958, the Corporation 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, based upon the existence or absence of donor-imposed restrictions. (The Corporation has no assets which meet the definition of temporarily or permanently restricted net assets.) In addition, the Corporation reports information regarding contributions in accordance with FASB ASC 958. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, 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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

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

5. 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.
6. Contributions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets classes. When a temporary 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. If a restriction is fulfilled in the same period in which the contribution is received, the Corporation reports the support as unrestricted. Promises to give in the future are recognized as temporarily restricted assets and revenues and support in the period promised if the promise is unconditional or the possibility that a condition will not be met is remote.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

7. 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
8. 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.
9. 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.
10. 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.
11. 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.
12. 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 \$7,900 and \$11,000 for the years ended June 30, 2015 and 2014 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 \$95,579 and \$104,467 for the years ended June 30, and 2015 and 2014 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, 2015 and 2014 for these costs as no determination has been made by the grantor agencies as to any amount for any grant.

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

NOTE D – COMMITMENTS:

Cumberland Community Options, Inc. maintains a lease for a copier as of June 30, 2015 and 2014, with monthly lease payments of \$325 this lease is not considered a capital lease under generally accepted accounting principles.

The Organization has a mortgage payable to Regions Bank of \$341,651 as of June 30, 2015 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:

2015	23,653
2016	25,325
2017	27,116
2018	29,032
2019	31,285
2020 and thereafter	205,240

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, 2015 and 2014. At June 30, 2015 and 2014 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.

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

NOTE G – UNCERTAIN TAX POSITIONS continued

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, 2015.

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).