

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS

FEBRUARY 29, 2004

(With Independent Auditors' Report Thereon)

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.  
FINANCIAL STATEMENTS  
FEBRUARY 29, 2004

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of United Cerebral Palsy of Middle Tennessee, Inc. (a nonprofit organization) as of February 29, 2004, and the related statements of activities, functional expenses, and cash flows for the year 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 audit.

We conducted our audit 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 audit provides 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 United Cerebral Palsy of Middle Tennessee, Inc. as of February 29, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 8 to the financial statements, management had incorrectly calculated inventory for the year ended February 28, 2003.

*Akerslout, Patterson & Associates, P.L.L.C.*

June 17, 2004

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.  
STATEMENT OF FINANCIAL POSITION  
FEBRUARY 29, 2004

ASSETS

Current Assets:		
Cash	\$ 176,366	
Receivables	77,325	
Inventory	111,383	
Current installments of unconditional promises to give	<u>7,079</u>	
Total current assets		\$ 372,153
Property and Equipment, net		469,855
Other Assets		<u>5,060</u>
		<u>\$ 847,068</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Current installments of note payable	\$ 5,617	
Accounts payable	37,281	
Accrued expenses	<u>18,701</u>	
Total current liabilities		\$ 61,599
Note payable, less current installments		<u>118,973</u>
		180,572
Net Assets:		
Unrestricted	652,821	
Unrestricted - board-designated	<u>13,675</u>	
		<u>666,496</u>
		<u>\$ 847,068</u>

See accompanying notes to financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED FEBRUARY 29, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenues:				
Contributions	\$ 69,112	\$ -	\$ -	\$ 69,112
Revenues:				
Grants	304,675	-	-	304,675
Special events income	174,947	-	-	174,947
Rental income	20,400	-	-	20,400
In-kind donations	150,907	-	-	150,907
Investment and interest income	2,909	-	-	2,909
Total revenues	<u>653,838</u>	<u>-</u>	<u>-</u>	<u>653,838</u>
Total public support and revenues	<u>722,950</u>	<u>-</u>	<u>-</u>	<u>722,950</u> ✓
Expenses and Losses:				
Program Services:				
Barry Dean Fulton	14,377	-	-	14,377
Burch Special Needs	5,154	-	-	5,154
Equipment Exchange	183,645	-	-	183,645
Clinic Education and Referral	7,299	-	-	7,299
Educational Travel	18,204	-	-	18,204
Partners in Policymaking	105,697	-	-	105,697
Project Airwaves	1,224	-	-	1,224
Youth Leadership	28,297	-	-	28,297
Home Access	122,746	-	-	122,746
Recreation	10,103	-	-	10,103
Public Education	18,907	-	-	18,907
Total program services	<u>515,653</u>	<u>-</u>	<u>-</u>	<u>515,653</u>
Supporting Services:				
Management and general	133,162	-	-	133,162
Fundraising	83,919	-	-	83,919
Total supporting services	<u>217,081</u>	<u>-</u>	<u>-</u>	<u>217,081</u>
Total program and supporting expenses	<u>732,734</u>	<u>-</u>	<u>-</u>	<u>732,734</u>
Decrease in net assets	<u>(9,784)</u>	<u>-</u>	<u>-</u>	<u>(9,784)</u>

See accompanying notes to financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.  
STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 29, 2004

Net assets - beginning of year as previously reported	\$ 601,244	\$ -	\$ -	\$ 601,244
Prior period adjustment	<u>75,036</u>	<u>-</u>	<u>-</u>	<u>75,036</u>
Net assets - beginning of year, as restated	<u>676,280</u>	<u>-</u>	<u>-</u>	<u>676,280</u>
Net assets - end of year	<u>\$ 666,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 666,496</u>

See accompanying notes to financial statements.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<b>Program Services</b>							
	<b>Barry Dean Fullton</b>	<b>Burch Special Needs</b>	<b>Equipment Exchange</b>	<b>Clinic Education and Referral</b>	<b>Educational Travel</b>	<b>Partners in Policymaking</b>	<b>Project Airwaves</b>	<b>Youth Leadership</b>
Accounting services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank charges	-	-	-	-	-	-	-	-
Client assistance	11,153	4,702	-	-	14,652	12,271	-	10,297
Depreciation	-	-	-	-	-	-	-	-
Dues	-	-	-	-	-	-	-	-
Equipment	-	-	1,759	-	-	-	-	808
Food	-	-	-	-	-	-	-	136
Hotel and lodging	-	-	-	-	-	49,319	-	1,332
In-kind donations	-	-	138,820	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Internet	-	-	22	-	-	95	-	76
Mileage and travel	372	-	1,474	-	-	1,715	-	1,064
Payroll expenses	1,853	452	40,210	7,234	3,552	18,208	-	7,696
Postage	23	-	-	-	-	112	-	9
Printing	-	-	-	-	-	4,344	-	1,305
Professional services	-	-	-	-	-	18,995	1,140	2,877
Rent - storage	-	-	300	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-	-	-
Special events	-	-	-	-	-	-	-	-
Supplies - office	-	-	-	14	-	298	84	75
Supplies - other	976	-	1,060	51	-	340	-	2,622
Telephone	-	-	-	-	-	-	-	-
Training	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-
<b>Total program and supporting services</b>	<b>\$ 14,377</b>	<b>\$ 5,154</b>	<b>\$ 183,645</b>	<b>\$ 7,299</b>	<b>\$ 18,204</b>	<b>\$ 105,697</b>	<b>\$ 1,224</b>	<b>\$ 28,297</b>

See accompanying notes to financial statements.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**FOR THE YEAR ENDED FEBRUARY 29, 2004**

	Program Services				Supporting Services		Total
	Home Access	Recreation	Public Education	Total Program Services	Management and General	Fundraising	Expenses
Accounting services	\$ -	\$ -	\$ -	\$ -	\$ 9,000	\$ -	\$ 9,000
Bank charges	-	-	500	500	1,493	-	1,993
Client assistance	66,060	725	-	119,860	-	-	119,860
Depreciation	-	-	-	-	20,478	-	20,478
Dues	59	-	-	59	10,152	-	10,211
Equipment	257	-	-	2,824	-	-	2,824
Food	204	118	196	654	395	-	1,049
Hotel and lodging	-	-	-	50,651	-	-	50,651
In-kind donations	-	-	-	138,820	-	-	138,820
Insurance	-	-	-	-	29,835	-	29,835
Interest	-	-	-	-	5,059	-	5,059
Internet	-	-	-	193	1,701	-	1,894
Mileage and travel	707	8	70	5,410	7	-	5,417
Payroll expenses	35,559	8,925	16,912	140,601	26,911	-	167,512
Postage	-	4	-	148	924	-	1,072
Printing	-	-	-	5,649	1,695	-	7,344
Professional services	-	181	-	23,193	5,190	-	28,383
Rent - storage	-	-	-	300	1,350	-	1,650
Repairs and maintenance	-	-	-	-	6,486	-	6,486
Special events	-	-	-	-	-	83,919	83,919
Supplies - office	264	-	44	779	2,089	-	2,868
Supplies - other	19,636	142	31	24,858	1,372	-	26,230
Telephone	-	-	-	-	4,832	-	4,832
Training	-	-	1,154	1,154	-	-	1,154
Utilities	-	-	-	-	4,193	-	4,193
Total program and supporting services	\$ 122,746	\$ 10,103	\$ 18,907	\$ 515,653	\$ 133,162	\$ 83,919	\$ 732,734

See accompanying notes to financial statements.



UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED FEBRUARY 29, 2004

Cash Flows From Operating Activities:

Decrease in net assets	\$ (9,784)
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Adjustments to reconcile decrease in net assets

to net cash provided by operating activities:

Depreciation	\$	16,920
Gain on sale of investments		(1,222)
Changes in:		
Receivables		(51,831)
Unconditional promises to give		92,921
Inventory		(12,087)
Accounts payable		11,418
Accrued expenses		<u>1,840</u>
Total adjustments		<u>57,959</u>
Net cash provided by operating activities		48,175

Cash Flows From Investing Activities:

Purchase of property and equipment	(43,419)
Proceeds from sale of investments	15,048
Payments on notes payable	<u>(105,410)</u>
Net cash used in investing activities	<u>(133,781)</u>

Net decrease in cash	(85,606)
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Cash - beginning of year	<u>261,972</u>
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Cash - end of year	<u><u>\$ 176,366</u></u>
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Supplemental Cash Flows Information

Total interest paid for the year ended February 29, 2004, was \$8,610

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2004

NOTE 1 - Summary of Significant Accounting Policies

a. Nature of Activities

United Cerebral Palsy of Middle Tennessee, Inc., a locally governed affiliate of the national organization, United Cerebral Palsy Association, is a nonprofit organization, which was organized on May 23, 1985, to advance the independence and full citizenship of people with all types of disabilities. The Organization's mission is to affect positively, through providing unique assistance, the quality of life of physically disabled persons and their families in Middle Tennessee. Virtually all of the Organization's revenues and support for the year ended February 29, 2004, were from the general public.

b. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

c. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted cash, certificates of deposit and investment instruments purchased with original maturities of three months or less to be cash equivalents. At February 29, 2004, the Organization had no cash equivalents.

d. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

e. Grants Receivable and Revenues

The Organization receives several grants from the State of Tennessee. Most of these grants require the submission of reimbursement requests before funds are disbursed. Grant revenue is recognized as these expenses are incurred. At February 29, 2004, the Organization's total grants receivable was \$46,878.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2004

NOTE 1 - Summary of Significant Accounting Policies (continued)

e. Grants Receivable and Revenues (continued)

The Organization was also owed \$30,447 from the American Society of Composers, Authors & Publishers (ASCAP) that is responsible for the Organization's annual golf tournament. ASCAP organizes a golf tournament that benefits the Organization and other not-for-profits and remits the net proceeds to the appropriate organizations.

The Organization also receives a grant from the Tennessee Housing Development Agency (THDA). 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 sometime 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.

f. Inventory

Inventory consists of equipment to be used in the Equipment Exchange program and is stated at cost.

g. Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred. It is the Organization's policy to capitalize purchases of fixed assets with a value of \$500 or more.

h. Income Tax Status

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and the Association is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

i. Functional Allocation of Expenses

The costs of providing program services and supporting services 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.

j. Use of 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. Actual results could differ from those estimates.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2004

NOTE 1 - Summary of Significant Accounting Policies (continued)

k. 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.

l. Concentration of Credit Risk

At February 29, 2004, and at various times through the year, the Organization had cash balances with banks exceeding \$100,000, which is the maximum insured by the Federal Deposit Insurance Corporation.

m. Advertising

Advertising is expensed as incurred.

NOTE 2 - Investments

The Organization sold their investment of 427 shares of common stock in Regions Financial Corporation. The sale resulted in a gain of \$1,222.

NOTE 3 - Unconditional Promises to Give

At February 29, 2004, unconditional promises to give in the amount of \$7,079 for the capital campaign were outstanding. These unconditional promises to give are to be received by the Organization for years subsequent to February 29, 2004. Uncollectible accounts are written off in the period in which they are determined to be uncollectible and are charged to bad debts. Management believes that all pledges are fully collectible and, therefore, no allowance has been recorded.

Future installments of the pledges receivable are as follows:

<u>Year Ending</u> <u>February 28,</u>	<u>Amount</u>
2005	\$ <u>7,079</u>

NOTE 4 - Property and Equipment

Property and equipment at February 29, 2004, consists of the following:

	<u>2004</u>
Building	\$ 363,648
Furniture and equipment	20,993
Computers	10,000
Improvements	113,067
Vehicles	<u>16,017</u>
	523,725
Less: accumulated depreciation	( <u>53,870</u> )
	\$ <u>469,855</u>

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2004

NOTE 5 - Donated Equipment

The Organization receives a significant amount of donated equipment used in its Equipment Exchange program and in its operations. The amount recognized for the year ended February 29, 2004, was \$150,907.

NOTE 6 - Note Payable

The Organization has a note payable to a bank in the amount of \$124,590, payable in monthly installments of \$1,168 including interest at 6.9%, through maturity in January 2008. The note is collateralized by a building.

The following is a schedule of future maturities:

<u>Year-ending</u> <u>February 28</u>	<u>Amount</u>
2005	\$ 5,617
2006	6,017
2007	6,445
2008	<u>106,511</u>
	124,590
Less: current installments	<u>( 5,617)</u>
	<u>\$118,973</u>

NOTE 7 - Board Designated Assets

In 1995, the Board of Directors designated \$13,675 to be used as an Endowment Fund. The Board intended this amount to remain in the Endowment permanently, and any interest income generated by this amount is to be unrestricted.

NOTE 8 - Prior Period Adjustment

The Organization understated inventory for the year ended February 28, 2003, by \$75,036, which resulted in understated net assets. Consequently, the correction has been reflected as a prior period adjustment on the audited financial statements for the year ended February 29, 2004.