

MID-TN SUPPORTED LIVING, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2011 AND 2010

MID-TN SUPPORTED LIVING, INC.

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Independent Auditors' Report

To the Board of Directors of
Mid-TN Supported Living, Inc.
Nashville, Tennessee

We have audited the accompanying statements of financial position of Mid-TN Supported Living, Inc., "Mid-TN," (a nonprofit Corporation) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Mid-TN'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 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 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 Mid-TN Supported Living, Inc. as of June 30, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of Mid-TN'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* and should be considered in assessing the results of our audit.

Mid-TN Supported Living, Inc.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Mid-TN Supported Living, Inc. taken as a whole. The accompanying schedule of state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Crosslin + Associates, P.C.

Nashville, Tennessee

December 12, 2011

MID-TN SUPPORTED LIVING, INC.
STATEMENT OF FINANCIAL POSITION

ASSETS

	June 30,	
	2011	2010
CURRENT ASSETS		
Cash	\$ 124,358	\$ 294,186
Accounts receivable - State of Tennessee	238,994	201,471
Accounts receivable - other	2,044	5,566
Total current assets	365,396	501,223
FURNITURE AND EQUIPMENT		
Furniture and equipment	42,038	42,038
Less accumulated depreciation	(42,038)	(36,621)
Total furniture and equipment	-	5,417
Total assets	\$ 365,396	\$ 506,640

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 646	\$ -
Accrued expenses	128,379	106,723
Total current liabilities	129,025	106,723
LONG-TERM LIABILITIES		
Revolving line-of-credit	12,975	-
Total liabilities	142,000	106,723
NET ASSETS		
Unrestricted	223,396	399,917
Total net assets	223,396	399,917
Total liabilities and net assets	\$365,396	\$506,640

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
STATEMENT OF ACTIVITIES

	Year Ended June 30.	
	2011	2010
Changes in unrestricted net assets:		
Support and revenue:		
State of Tennessee contract revenue	\$ 2,727,950	\$ 2,458,278
United Way	38,842	38,753
Contributions	3,744	1,948
Interest	380	2,111
Total support and revenue	2,770,916	2,501,090
Expenses:		
Program Services:		
Support and client assistance	2,474,029	2,332,528
Management and general	473,408	364,832
Total expenses	2,947,437	2,697,360
Decrease in unrestricted net assets	(176,521)	(196,270)
Net assets at beginning of year	399,917	596,187
Net assets at end of year	\$ 223,396	\$ 399,917

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011 AND 2010

	2011		Total
	Support and Client Assistance	Management and General	
Salaries	\$1,724,517	\$158,739	\$1,883,256
Employee benefits	257,977	28,664	286,641
Payroll taxes	129,652	14,406	144,058
Bank charges	-	943	943
Professional services	248	32,357	32,605
Supplies	-	13,729	13,729
Communications	11,360	14,651	26,011
Printing	-	30	30
Postage and delivery	-	767	767
Rent	114,331	55,851	170,182
Insurance	-	7,258	7,258
Travel / vehicle expense	112,052	9,580	121,632
Training	18,279	-	18,279
Equipment lease	-	4,824	4,824
Equipment repairs and maintenance	-	71,255	71,255
Advertising	-	2,312	2,312
Licenses and permits	-	3,025	3,025
Utilities	23,206	-	23,206
Background checks	4,165	-	4,165
Miscellaneous	53,712	49,482	103,194
United Way Collaborative	18,600	-	18,600
Day program expense	-	-	-
Depreciation	-	5,417	5,417
Bad debt	5,930	-	5,930
Interest	-	118	118
	<u>\$2,474,029</u>	<u>\$473,408</u>	<u>\$2,947,437</u>

2010		
<u>Support and Client Assistance</u>	<u>Management and General</u>	<u>Total</u>
\$1,647,970	\$180,645	\$1,828,615
252,562	28,063	280,625
120,503	13,389	133,892
-	857	857
90	8,625	8,715
-	12,476	12,476
6,319	13,036	19,355
-	592	592
-	933	933
108,787	48,689	157,476
-	7,262	7,262
89,351	15,868	105,219
10,783	-	10,783
-	4,894	4,894
-	7,322	7,322
-	99	99
-	2,035	2,035
20,062	-	20,062
1,177	-	1,177
43,089	14,629	57,718
17,072	-	17,072
497	-	497
-	5,418	5,418
14,266	-	14,266
-	-	-
<u>\$2,332,528</u>	<u>\$364,832</u>	<u>\$2,697,360</u>

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
STATEMENT OF CASH FLOWS

	<u>Year Ended June 30.</u>	
	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Decrease in net assets	\$(176,521)	\$(196,270)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	5,417	5,418
(Increase) decrease in accounts receivable - State of Tennessee	(37,523)	10,650
Decrease in accounts receivable - other	3,522	10,845
Increase in accrued expenses	21,656	64,690
Increase in accounts payable	<u>646</u>	<u>-</u>
Total adjustments	<u>(6,282)</u>	<u>91,603</u>
Net cash used in operating activities	<u>(182,803)</u>	<u>(104,667)</u>
Cash flows from financing activities:		
Borrowings from revolving line-of-credit	<u>12,975</u>	<u>-</u>
Net cash provided by financing activities	<u>12,975</u>	<u>-</u>
Decrease in cash	(169,828)	(104,667)
Cash at beginning of year	<u>294,186</u>	<u>398,853</u>
Cash at end of year	<u>\$ 124,358</u>	<u>\$ 294,186</u>

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follow:

Nature of Organization

Mid-TN Supported Living, Inc., "Mid-TN," is a nonprofit corporation chartered by the 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 meaningfully to themselves and the risks that occur with ordinary living. Mid-TN provides services to persons with intellectual, developmental and other disabilities in the areas of supported living, specialized equipment and supplies, personal assistance, transportation, and adoption to everyday living.

Basis of Accounting

The financial statements of Mid-TN have been prepared on the accrual basis of accounting.

Basis of Presentation

Mid-TN classifies its revenue, and expenses into three classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of Mid-TN and changes therein are classified 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 Mid-TN and/or the passage of time.

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

Mid-TN did not have assets that meet the definition of temporarily or permanently restricted net assets at June 30, 2011 or 2010.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue and Support

Mid-TN receives the majority of its income from contract services paid by the State of Tennessee, Division of Intellectual Disabilities Services. Mid-TN records income due from the State in the period that the applicable services were incurred by Mid-TN.

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. 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. Unconditional promises to give in the future are recognized as temporarily restricted assets and as revenues and support in the period promised.

Furniture and Equipment

Furniture and equipment are carried at cost. Donated furniture and equipment has not been recorded, as Mid-TN has no reasonable basis for valuation. This donated property was being discarded by other agencies and no value was assigned for their contribution. Depreciation on purchased property is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years.

Financial Instruments

Mid-TN's financial instruments consist of accounts receivable, accrued expenses, and a revolving line-of-credit. The recorded values of accounts receivable, accounts payable and accrued expenses approximate their fair values based on their short-term nature. The carrying value of the revolving line-of-credit approximates its fair value based on its variable rate.

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.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Use of Estimates in the Preparation of Financial Statements

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.

Income Taxes

Mid-TN is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been made in the accompanying financial statements. Mid-TN is not classified as a private foundation.

Mid-TN accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for Mid-TN include, but are not limited to, the tax exempt status and determination of whether income is subject to unrelated business income tax; however, Mid-TN has determined that such tax positions do not result in an uncertainty requiring recognition.

Retirement Plan

Mid-TN, maintains a 403(b) retirement plan for employees who are eligible for the plan after one year of employment. Mid-TN contributes 5% of gross wages per employee. The costs of this plan are charged to fringe benefits and totaled \$15,934 and \$16,699 for the years ended June 30, 2011 and 2010, respectively.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

B. DUE FROM THE STATE OF TENNESSEE

Mid-TN is due monies from the State of Tennessee Department of Finance and Administration, Division of Intellectual Disability Services for contract services performed during the year. These receivables total \$238,994 and \$201,471 as of June 30, 2011 and 2010, respectively.

C. REVENUE/CONTINGENCIES

Certain costs charged to a funded program may not be in compliance with requirements as set forth in contracts, statutes, and regulations governing allowability or eligibility. These costs may not be reimbursed by the State or the State agency may require that the funds already expended be refunded back to the State. The determination as to whether such costs will be allowed or disallowed under the various grants or contracts will be made by the individual grantor agencies subsequent to June 30, 2011. No liability has been recorded as of June 30, 2011 or 2010 for these costs as no determination has been made by the grantor agencies as to any amount for any grant or contract.

D. OPERATING LEASE

Mid-TN leases its office space under a lease that requires a monthly payment of between \$4,022 and \$4,154. This lease is effective through March 31, 2013. Annual lease payments for office space and equipment leases totaled \$55,851 and \$48,689 for the years ended June 30, 2011 and 2010, respectively. Future minimum lease payments with terms exceeding one year are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2012	\$49,254
June 30, 2013	<u>37,386</u>
Total	<u>\$86,640</u>

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

E. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject Mid-TN to concentration of credit risk consist of monies due from the State of Tennessee, Division of Intellectual Disabilities Services and accounts receivables. Account receivables consist of monies due from clients for reimbursement of living expenses paid by Mid-TN. These receivables are widely dispersed over many persons and mitigate credit risk. Monies due from the State of Tennessee represent concentration of credit risk to the extent that they are received from concentrated sources. Mid-TN receives a substantial amount of its support from the State of Tennessee, in excess of 90% for 2011 and 2010. A significant reduction in the levels of this support, if this was to occur, could have an effect on Mid-TN's programs and activities. Based on the upcoming fiscal year's budget, the funding is expected to continue for the near future.

F. REVOLVING LINE-OF-CREDIT

The revolving line-of-credit at June 30, 2011 represented borrowings under an agreement with Regions Bank. The line-of-credit allows for a maximum principal borrowing of up to \$100,000 with interest due monthly at the prime rate plus 2.15% (5.4% at June 30, 2011). Available borrowings on the line-of-credit as of June 30, 2011 were \$87,025. The line-of-credit expires in March 2014 and is collateralized by all of Mid-TN's assets.

G. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 12, 2011, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

SUPPLEMENTAL INFORMATION

MID-TN SUPPORTED LIVING, INC.
 SCHEDULE OF STATE AWARDS
 YEAR ENDED JUNE 30, 2011

<u>Program Title</u>	<u>State Contacts/ Grant Number</u>	<u>State Awards Amount</u>	<u>June 30, 2010</u>	<u>Receipts</u>	<u>State Disbursements Expenditures</u>	<u>June 30, 2011</u>
Medicare Waiver Program - State of Tennessee	10-188	N/A	<u>\$201,471</u>	<u>\$2,690,427</u>	<u>\$2,727,950</u>	<u>\$238,994</u>

See accompanying notes to financial statements.