

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, 2012 and 2011, 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, 2012 and 2011, 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 November 28, 2012, 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 financial statements as a whole. The accompanying schedule of state awards is presented for purposes of additional analysis as required by the State of Tennessee Comptroller of the Treasury's *Audit Manual for Local Governmental Units and Other Organizations* and is not a required part of the financial statements. The schedule of state awards 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 audits 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Crosslin + Associates, P.C.

Nashville, Tennessee

November 28, 2012

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

ASSETS

	June 30,	
	2012	2011
CURRENT ASSETS		
Cash	\$ 311,252	\$ 124,358
Accounts receivable - State of Tennessee	228,722	238,994
Accounts receivable - other	1,888	2,044
Total current assets	541,862	365,396
FURNITURE AND EQUIPMENT		
Furniture and equipment	42,038	42,038
Less accumulated depreciation	(42,038)	(42,038)
Total furniture and equipment	-	-
Total assets	\$ 541,862	\$ 365,396

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 327	\$ 646
Accrued expenses	141,261	128,379
Note payable	100,000	-
Total current liabilities	241,588	129,025
LONG-TERM LIABILITIES		
Revolving line-of-credit	100,000	12,975
Total liabilities	341,588	142,000
NET ASSETS		
Unrestricted	200,274	223,396
Total net assets	200,274	223,396
Total liabilities and net assets	\$541,862	\$365,396

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2012 AND 2011

MID-TN SUPPORTED LIVING, INC.
STATEMENTS OF ACTIVITIES

	Year Ended June 30,	
	2012	2011
Changes in unrestricted net assets:		
Support and revenue:		
State of Tennessee contract revenue	\$ 2,826,759	\$ 2,727,950
United Way	39,281	38,842
Contributions	2,453	3,744
Interest	822	380
Total support and revenue	2,869,315	2,770,916
Expenses:		
Program Services:		
Support and client assistance	2,472,427	2,474,029
Management and general	420,010	473,408
Total expenses	2,892,437	2,947,437
Decrease in unrestricted net assets	(23,122)	(176,521)
Net assets at beginning of year	223,396	399,917
Net assets at end of year	\$ 200,274	\$ 223,396

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2012 AND 2011

	2012		Total
	Support and Client Assistance	Management and General	
Salaries	\$1,751,654	\$186,543	\$1,938,197
Employee benefits	268,119	29,791	297,910
Payroll taxes	139,650	15,517	155,167
Bank charges	-	1,498	1,498
Professional services	-	9,772	9,772
Supplies	-	12,349	12,349
Communications	20,149	13,318	33,467
Printing	-	-	-
Postage and delivery	-	1,107	1,107
Rent	95,831	51,649	147,480
Insurance	-	12,141	12,141
Travel / vehicle expense	102,594	9,827	112,421
Training	24,101	-	24,101
Equipment lease	-	5,701	5,701
Equipment repairs and maintenance	-	45,051	45,051
Advertising	-	871	871
Licenses and permits	-	1,793	1,793
Utilities	17,631	-	17,631
Background checks	3,778	-	3,778
Miscellaneous	28,293	19,390	47,683
United Way Collaborative	17,700	-	17,700
Depreciation	-	-	-
Bad debt	2,927	-	2,927
Interest	-	3,692	3,692
	<u>\$2,472,427</u>	<u>\$420,010</u>	<u>\$2,892,437</u>

2011		
<u>Support and Client Assistance</u>	<u>Management and General</u>	<u>Total</u>
\$1,724,517	\$158,739	\$1,883,256
257,977	28,664	286,641
129,652	14,406	144,058
-	943	943
248	32,357	32,605
-	13,729	13,729
11,360	14,651	26,011
-	30	30
-	767	767
114,331	55,851	170,182
-	7,258	7,258
112,052	9,580	121,632
18,279	-	18,279
-	4,824	4,824
-	71,255	71,255
-	2,312	2,312
-	3,025	3,025
23,206	-	23,206
4,165	-	4,165
53,712	49,482	103,194
18,600	-	18,600
-	5,417	5,417
5,930	-	5,930
-	118	118
<u>\$2,474,029</u>	<u>\$473,408</u>	<u>\$2,947,437</u>

See accompanying notes to financial statements.

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

	Year Ended June 30,	
	2012	2011
Cash flows from operating activities:		
Decrease in net assets	\$(23,122)	\$(176,521)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	-	5,417
Decrease (increase) in accounts receivable - State of Tennessee	10,272	(37,523)
Decrease in accounts receivable - other	156	3,522
Increase in accrued expenses	12,882	21,656
(Decrease) increase in accounts payable	<u>(319)</u>	<u>646</u>
Total adjustments	<u>22,991</u>	<u>(6,282)</u>
Net cash used in operating activities	<u>(131)</u>	<u>(182,803)</u>
Cash flows from financing activities:		
Borrowings from revolving line-of-credit	87,025	12,975
Proceeds from note payable	<u>100,000</u>	<u>-</u>
Net cash provided by financing activities	<u>187,025</u>	<u>12,975</u>
Increase (decrease) in cash	186,894	(169,828)
Cash at beginning of year	<u>124,358</u>	<u>294,186</u>
Cash at end of year	<u>\$ 311,252</u>	<u>\$ 124,358</u>

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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, 2012 or 2011.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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, accounts payable, accrued expenses, a revolving line-of-credit, and a note payable. The recorded values of accounts receivable, accounts payable and accrued expenses approximate their fair values based on their short-term nature. The carrying values of the revolving line-of-credit and note payable approximate their fair value based on their 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, 2012 AND 2011

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 \$14,729 and \$15,934 for the years ended June 30, 2012 and 2011, respectively.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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 \$228,722 and \$238,994 as of June 30, 2012 and 2011, 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, 2012. No liability has been recorded as of June 30, 2012 or 2011 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 \$51,649 and \$55,851 for the years ended June 30, 2012 and 2011, respectively. Future minimum lease payments with terms exceeding one year are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2013	<u>\$37,386</u>

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 98% for 2012 and 2011. 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.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

F. NOTE PAYABLE

As of June 30, 2012, Mid-TN is obligated under a note payable to a related party totaling \$100,000. The note is non-interest bearing and due on demand. No interest has been imputed on the note during the period ending June 30, 2012 as the amount would be insignificant.

G. REVOLVING LINE-OF-CREDIT

The revolving line-of-credit at June 30, 2012 and 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, 2012). The outstanding balance on the line-of-credit as of June 30, 2012 and 2011, totaled \$100,000 and \$12,975, respectively. The line-of-credit expires in March 2014 and is collateralized by all of Mid-TN's assets.

H. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 28, 2012, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.