

MID – TN SUPPORTED LIVING, INC.
AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2006

Nancy C. Crabtree
Certified Public Accountant

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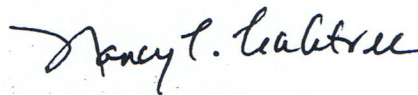
Independent Auditor's Report

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

I have audited the accompanying statement of financial position of Mid – TN Supported Living, Inc. (a nonprofit organization) as of June 30, 2006, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mid-TN Supported Living, Inc. as of June 30, 2006, 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.



Nashville, Tennessee
January 25, 2007

MID – TN SUPPORTED LIVING, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 618334
Accounts receivable – no allowance necessary	16317
Due from the State of Tennessee – contracts	<u>35715</u>
Total Current Assets	<u>\$ 670366</u>
Property and Equipment:	
Office furniture and equipment	\$ 22871
Less accumulated depreciation	<u>(17191)</u>
Total Property and Equipment	<u>\$ 5680</u>
Total Assets	<u>\$ 676046</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accrued payroll expenses	\$ <u>40191</u>
Total Current Liabilities / Total Liabilities	<u>\$ 40191</u>
Net Assets:	
Unrestricted:	
Operating	\$ 630175
Property and equipment	<u>5680</u>
Total Net Assets	<u>\$ 635855</u>
Total Liabilities and Net Assets	<u>\$ 676046</u>

See accompanying notes to the financial statements.

MID – TN SUPPORTED LIVING, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Unrestricted</u>
Revenues and Other Support:	
Contracts with the State of Tennessee	\$ 2086301
United Way allocation	74403
Contributions	3745
Miscellaneous	1346
Interest	<u>7909</u>
Total Revenues and Other Support	<u>\$ 2173704</u>
Expenses:	
Program Services:	
Support and Client Assistance	\$ 1788389
Support Services:	
Management and General	<u>266329</u>
Total Expenses	<u>\$ 2054718</u>
Increase (decrease) in Net Assets	\$ 118986
Net Assets at the beginning of the year	<u>516869</u>
Net Assets at the end of the year	<u><u>\$ 635855</u></u>

See accompanying notes to the financial statements.

MID – TN SUPPORTED LIVING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006

	Support & Client Assistance	Management & General	Total Expenses
Salaries	\$ 1263504	\$ 121554	\$ 1385058
Payroll taxes	95371	9261	104632
Fringe benefits	19924	2364	22288
Health insurance	101837	9802	111639
Insurance – other	42365	12407	54772
Disability insurance	11132	1072	12204
Unemployment claims		10064	10064
Establishment expenses	9842		9842
Rent	80238	26386	106624
Utilities	15339		15339
Travel / car expenses	80504	10144	90648
Miscellaneous	34827	3434	38261
Training	6707		6707
Advertising		1689	1689
Equipment rental		3408	3408
Equipment maintenance		2334	2334
Printing		183	183
Licenses and fees		2110	2110
Postage		855	855
Background checks	601		601
Professional fees	1589	6646	8235
Communications	6458	11732	18190
Supplies		7336	7336
Employee appreciation		20988	20988
United Way collaboration	18151		18151
Depreciation		2560	2560
		<u>2560</u>	<u>2560</u>
Total	<u>\$ 1788389</u>	<u>\$ 266329</u>	<u>\$ 2054718</u>

See accompanying notes to the financial statements.

MID – TN SUPPORTED LIVING, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

Cash Flows from Operating Activities:

Cash received from State of Tennessee contracts	\$ 2271016
Cash received from United Way allocation	74403
Interest received	7909
Cash received from revenues and support	1934
Cash paid to suppliers and employees	<u>(2046396)</u>
Net Cash Provided or (Used) by Operating Activities	\$ <u>308866</u>

Cash Flows from Investing Activities:

Purchase of equipment	\$ <u>(1098)</u>
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Net Increase (Decrease) in Cash and Cash Equivalents \$ 307768

Cash and Cash Equivalents at the beginning of the year 310566

Cash and Cash Equivalents at the end of the year \$ 618334

See accompanying notes to the financial statements.

MID – TN SUPPORTED LIVING, INC.
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED JUNE 30, 2006

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES:

Increase in net assets	\$ 118986
Adjustments to reconcile change in net assets to net cash Provided (used) by operating activities:	
Depreciation	2560
(Increase) decrease in:	
Accounts receivable	(3157)
Due from State of Tennessee - contracts	184715
Prepaid expenses	10660
Increase (decrease) in:	
Accrued payroll expenses	(<u>4898</u>)
 Net Cash Provided or (Used) by Operating Activities	 <u>\$ 308866</u>

See accompanying notes to the financial statements.

MID – TN SUPPORTED LIVING, 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. Mid – TN Supported Living, Inc. is a nonprofit corporation chartered by the State of Tennessee for the purpose of assisting people with mental retardation 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 mental retardation and other disabilities in the areas of supported living, specialized equipment and supplies, personal assistance, transportation, and adaptation to everyday living.
2. Basis of Presentation. Mid – TN Supported Living, Inc. reports information regarding its financial position and activities in accordance with the Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, 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 that meet the definition of temporarily or permanently restricted net assets.) In addition, the Corporation reports information regarding contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made. 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. (The Corporation has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.)
3. Basis of Accounting. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.
4. Cash Equivalents. Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety days of purchase.
5. Revenue and Support. Mid – TN Supported Living, Inc. receives most of its income from contract services paid by the State of Tennessee Department of Mental Health and Mental Retardation. 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.

MID – TN SUPPORTED LIVING, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

7. Property and Equipment. Property and equipment are carried at cost. Donated furniture and equipment has not been recorded, as Mid – TN Supported Living, Inc. has no reasonable basis for valuation. This donated property was being discarded from other agencies and no value was assigned for their contribution. Depreciation on purchased property is computed using the straight-line method over the estimated lives of the assets, presently three to five years. Equipment totaling \$ 1098 was purchased during the year ended June 30, 2006.
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. Mid – TN Supported Living, 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. Mid – TN Supported Living, Inc. maintains a 403(b) retirement plan for employees who are eligible for the plan after one year of employment. Mid –TN Supported Living, Inc. contributes 5 % of gross wages per employee after one year of employment. The costs of this plan are charged to fringe benefits and total \$ 26444 for the year ended June 30, 2006.

NOTE B – DUE FROM THE STATE OF TENNESSEE:

Mid – TN Supported Living, Inc. is due monies from the State of Tennessee Department of Finance and Administration, Division of Mental Retardation Services for contract services performed as of June 30, 2006. These receivables total \$ 35715 as of June 30, 2006.

MID – TN SUPPORTED LIVING, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

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, 2006 for these costs as no determination has been made by the grantor agencies as to any amount for any grant.

NOTE D – COMMITMENTS:

Mid – TN Supported Living, Inc. leases its office space under a lease that requires a monthly payment of \$ 2211. This monthly payment is effective through June 30, 2006. Annual lease payments totaled \$ 26386 for the year ended June 30, 2006. In the following fiscal year ending June 30, 2007, Mid-TN Supported Living, Inc. expanded their office space with additional square footage, thereby increasing their rental commitment. In addition, Mid-TN Supported Living, Inc. leases a copier at a cost of \$ 284 per month, but this lease is not considered a capital lease under FASB Statement 13. Future minimum rental payments for leases with initial lease terms exceeding one year for each of the next five years are:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2007	\$ 34826
June 30, 2008	36062
June 30, 2009	37342
June 30, 2010	38668
June 30, 2011	<u>40040</u>
Total	<u>\$ 186938</u>

NOTE E - CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist of monies due from the State of Tennessee Department of Mental Health and Mental Retardation and accounts receivables. Account receivables consist of monies due from clients for reimbursement of living expenses paid by the Corporation. 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. The Corporation receives a substantial amount 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 effect on the Corporation’s programs and activities. Based on the upcoming fiscal year’s budget, the funding is expected to continue for the current year.