

MID-TN SUPPORTED LIVING, INC.

**FINANCIAL STATEMENTS
AND OTHER INFORMATION**

JUNE 30, 2015 AND 2014

MID-TN SUPPORTED LIVING, INC.

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Mid-TN Supported Living, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 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, we 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 financial statements.



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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our 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, 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

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of state financial assistance 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 financial assistance 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015, on our consideration of Mid-TN Supported Living, 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 Mid-TN Supported Living, Inc.'s internal control over financial reporting and compliance.

Crosslin & Associates, PLLC

Nashville, Tennessee
December 9, 2015

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

ASSETS

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash	\$ 117,939	\$ 148,343
Accounts receivable - State of Tennessee	239,613	223,866
Accounts receivable - other	6,961	1,397
Other assets	<u>-</u>	<u>20,484</u>
Total current assets	<u>364,513</u>	<u>394,090</u>
FURNITURE AND EQUIPMENT		
Furniture and equipment	42,038	42,038
Less accumulated depreciation	<u>(42,038)</u>	<u>(42,038)</u>
Total furniture and equipment	<u>-</u>	<u>-</u>
Total assets	<u>\$ 364,513</u>	<u>\$ 394,090</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 327	\$ 2,958
Accrued expenses	193,849	170,116
Revolving line-of-credit	36,559	-
Note payable - current portion	<u>-</u>	<u>30,000</u>
Total current liabilities	<u>230,735</u>	<u>203,074</u>
LONG-TERM LIABILITIES		
Note payable - noncurrent portion	<u>-</u>	<u>28,900</u>
Total liabilities	<u>230,735</u>	<u>231,974</u>
NET ASSETS		
Unrestricted	<u>133,778</u>	<u>162,116</u>
Total net assets	<u>133,778</u>	<u>162,116</u>
Total liabilities and net assets	<u>\$364,513</u>	<u>\$394,090</u>

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
STATEMENTS OF ACTIVITIES

	Year Ended June 30,	
	2015	2014
Changes in unrestricted net assets:		
Support and revenue:		
State of Tennessee and other contract revenue	\$ 3,056,151	\$ 2,940,942
United Way	-	38,761
Contributions	43,089	1,702
Interest	9	26
Total support and revenue	3,099,249	2,981,431
Expenses:		
Program Services:		
Support and client assistance	2,780,516	2,719,197
Management and general	347,071	341,651
Total expenses	3,127,587	3,060,848
Decrease in unrestricted net assets	(28,338)	(79,417)
Net assets at beginning of year	162,116	241,533
Net assets at end of year	\$ 133,778	\$ 162,116

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEARS ENDED JUNE 30, 2015 AND 2014

	2015		
	<u>Support and Client Assistance</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$2,093,543	\$113,740	\$2,207,283
Employee benefits	250,683	13,619	264,302
Payroll taxes	155,701	8,459	164,160
Bank charges	-	18,675	18,675
Professional services	600	9,995	10,595
Supplies	-	10,081	10,081
Communications	20,228	10,119	30,347
Postage and delivery	-	764	764
Rent	108,951	36,937	145,888
Insurance	-	28,272	28,272
Travel / vehicle expense	80,022	27,288	107,310
Training	32,522	-	32,522
Equipment lease	-	6,408	6,408
Equipment repairs and maintenance	-	30,608	30,608
Advertising	-	1,917	1,917
Licenses and permits	-	2,278	2,278
Utilities	24,196	-	24,196
Background checks	2,410	-	2,410
Miscellaneous	11,660	26,522	38,182
United Way Collaborative	-	-	-
Bad debt	-	-	-
Interest	-	1,389	1,389
	<u>\$2,780,516</u>	<u>\$347,071</u>	<u>\$3,127,587</u>

2014		
<u>Support and Client Assistance</u>	<u>Management and General</u>	<u>Total</u>
\$2,044,867	\$ 95,351	\$2,140,218
241,906	11,280	253,186
148,157	6,908	155,065
-	15,101	15,101
250	12,895	13,145
-	11,468	11,468
13,600	11,351	24,951
-	1,337	1,337
100,864	39,848	140,712
-	3,864	3,864
79,412	11,989	91,401
31,379	-	31,379
-	5,171	5,171
-	69,871	69,871
-	782	782
-	2,239	2,239
19,832	-	19,832
3,230	-	3,230
12,494	41,019	53,513
19,376	-	19,376
3,830	-	3,830
-	1,177	1,177
<u>\$2,719,197</u>	<u>\$341,651</u>	<u>\$3,060,848</u>

See accompanying notes to financial statements.

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

	Year Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Decrease in net assets	\$(28,338)	\$(79,417)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
(Increase) decrease in accounts receivable - State of Tennessee	(15,747)	85,889
(Increase) decrease in accounts receivable - other	(5,564)	1,781
Decrease (increase) in other assets	20,484	(20,484)
Increase in accrued expenses	23,733	51,585
(Decrease) increase in accounts payable	(2,631)	2,497
Total adjustments	20,275	121,268
Net cash (used in) provided by operating activities	(8,063)	41,851
Cash flows from financing activities:		
Net borrowings (payments) on revolving line-of-credit	36,559	(80,000)
Net (payments) borrowings on notes payable	(58,900)	58,900
Net cash used in financing activities	(22,341)	(21,100)
(Decrease) increase in cash	(30,404)	20,751
Cash at beginning of year	148,343	127,592
Cash at end of year	\$ 117,939	\$ 148,343

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 meaningful 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, 2015 or 2014.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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, 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, 2015 AND 2014

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 \$10,509 and \$11,280 for the years ended June 30, 2015 and 2014, respectively.

MID-TN SUPPORTED LIVING, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 AND 2014

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 \$239,613 and \$223,866 as of June 30, 2015 and 2014, 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, 2015. No liability has been recorded as of June 30, 2015 or 2014, 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 \$2,941 and \$4,154. This lease is effective through October 31, 2016. Annual lease payments for office space and equipment leases totaled \$43,345 and \$45,019 for the years ended June 30, 2015 and 2014, respectively. Future minimum lease payments with terms exceeding one year are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2016	\$36,767
2017	<u>12,354</u>
	<u>\$49,121</u>

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 2015 and 2014. A significant reduction in the levels of this support, if this were 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. NOTE PAYABLE

On July 2, 2013, Mid-TN borrowed \$80,000 from a member of the board under an unsecured note payable at an annual rate of 1%. The outstanding balance on this note as of June 30, 2015 and 2014 was \$0 and \$58,900, respectively.

G. REVOLVING LINE-OF-CREDIT

The revolving line-of-credit at June 30, 2015 and 2014, 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% (4.75% at June 30, 2015). The outstanding balance on the line-of-credit as of June 30, 2015 and 2014, totaled \$36,559 and \$ -0- respectively. The line-of-credit expires January 2017 and is collateralized by all of Mid-TN's assets.

H. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 9, 2015, the date the financial statements were available for issuance, and has no items requiring disclosure.

OTHER INFORMATION

MID-TN SUPPORTED LIVING, INC.
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 YEAR ENDED JUNE 30, 2015

<u>Program Title</u>	<u>State Contracts/ Grant Number</u>	<u>State Awards Amount</u>	<u>June 30, 2014</u>	<u>Receipts</u>	<u>State Disbursements Expenditures</u>	<u>June 30, 2015</u>
Medicare Waiver Program - State of Tennessee	10-188	N/A	<u>\$223,866</u>	<u>\$3,056,151</u>	<u>\$3,040,404</u>	<u>\$239,613</u>

See accompanying notes to financial statements.



Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the 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, the financial statements of Mid-TN Supported Living, Inc., "Mid-TN," (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mid-TN's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mid-TN's internal control. Accordingly, we do not express an opinion on the effectiveness of Mid-TN's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid-TN's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mid-TN's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mid-TN's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crosslin + Associates, PLLC

Nashville, Tennessee
December 9, 2015