

MID – TN SUPPORTED LIVING, INC.
AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2004

Nancy C. Crabtree
Certified Public Accountant

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NANCY C. CRABTREE

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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, 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. 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, 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.

Nashville, Tennessee
January 5, 2005

MID – TN SUPPORTED LIVING, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 191546
Accounts receivable – no allowance necessary	5837
Due from the State of Tennessee – contracts	178398
Due from the State of Tennessee - grants	1829
Prepaid expenses	<u>7530</u>
Total Current Assets	<u>\$ 385140</u>
Property and Equipment:	
Office furniture and equipment	\$ 16362
Less accumulated depreciation	<u>(12181)</u>
Total Property and Equipment	<u>\$ 4181</u>
Total Assets	<u>\$ 389321</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accrued payroll expenses	\$ <u>35341</u>
Total Current Liabilities / Total Liabilities	<u>\$ 35341</u>
Net Assets:	
Unrestricted:	
Operating	\$ 349799
Property and equipment	<u>4181</u>
Total Net Assets	<u>\$ 353980</u>
Total Liabilities and Net Assets	<u>\$ 389321</u>

See accompanying notes to the financial statements.

MID – TN SUPPORTED LIVING, INC.
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Contracts with the State of Tennessee	\$ 1829735	\$	\$ 1829735
Grants with the State of Tennessee	9250		9250
Service fees – Division of Rehab Services	8600		8600
United Way allocation	27680		27680
Donations	3728		3728
Interest	443		443
	<hr/>		<hr/>
Total Revenues and Other Support	\$ 1879436	\$	\$ 1879436
 Expenses:			
Program Services:			
Support and Client Assistance	\$ 1517415	\$	\$ 1517415
Support Services:			
Management and General	306011	1000	307011
	<hr/>		<hr/>
Total Expenses	\$ 1823426	\$ 1000	\$ 1824426
Increase (decrease) in Net Assets	\$ 56010	\$ (1000)	\$ 55010
Net Assets at the beginning of the year	297970	1000	298970
	<hr/>		<hr/>
Net Assets at the end of the year	\$ 353980	\$	\$ 353980

See accompanying notes to the financial statements.

MID – TN SUPPORTED LIVING, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2004

	Support & Client <u>Assistance</u>	Management & General	Total <u>Expenses</u>
Salaries	\$ 1067822	\$ 173267	\$ 1241089
Payroll taxes	81686	13298	94984
Fringe benefits	16066	2615	18681
Fringe benefits – vacation & holiday	23083	3758	26841
Rent	72929	24686	97615
Client set-up costs	29111		29111
Utilities	16550		16550
Travel / car expenses	55753	6680	62433
Miscellaneous	8401	3982	12383
Training		6328	6328
Advertising		1196	1196
Equipment rental		3165	3165
Equipment maintenance		2479	2479
Health insurance	72951	11876	84827
Other insurance	70712	11511	82223
Licenses and fees		1949	1949
Postage		759	759
Background checks		1220	1220
Professional fees		11518	11518
Telephone	2351	9848	12199
Supplies		5253	5253
Employee appreciation		9075	9075
Depreciation		2548	2548
	<hr/>		
Total	\$ 1517415	\$ 307011	\$ 1824426

See accompanying notes to the financial statements.

MID – TN SUPPORTED LIVING, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

Cash Flows from Operating Activities:

Cash received from State of Tennessee contracts, grants and fees	\$ 1695042
Cash received from United Way allocation	27680
Interest received	443
Cash received from revenues and support	4922
Cash paid to suppliers and employees	<u>(1795529)</u>
Net Cash Provided or (Used) by Operating Activities	\$ (67442)

Net Increase (Decrease) in Cash and Cash Equivalents	\$ (67442)
Cash and Cash Equivalents at the beginning of the year	<u>258988</u>
Cash and Cash Equivalents at the end of the year	\$ <u>191546</u>

See accompanying notes to the financial statements.

MID – TN SUPPORTED LIVING, INC.
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED JUNE 30, 2004

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

Increase in net assets	\$ 55010
Adjustments to reconcile change in net assets to net cash Provided (used) by operating activities:	
Depreciation	2548
(Increase) decrease in:	
Accounts receivable	1194
Due from State of Tennessee - contracts	(151789)
Due from State of Tennessee – grants	(754)
Prepaid expenses	(492)
Increase (decrease) in:	
Accrued payroll expenses	<u>26841</u>
 Net Cash Provided or (Used) by Operating Activities	 \$(<u>67442</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 which meet the definition of 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 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.
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.

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, 2004. These receivables total \$ 178398 as of June 30, 2004. In addition, \$ 1829 is due from the Department of Finance and Administration, Division of Mental Retardation Services for reimbursement of expenses related to an employment grant for the year ended June 30, 2004.

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, 2004 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 \$ 1932. This monthly payment is effective through June 30, 2004. The lease escalates each year until the lease expires on June 30, 2006. Mid – TN Supported Living, Inc. has no other leases as of June 30, 2004. No lease is considered a capital lease under FASB Statement 13. Future minimum rental payments for each of the next three years is \$ 23184 per year.

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.