

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
JUNE 30, 2018

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report.....	1
Financial Statements:	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6 – 11



To the Board of Directors  
**United Cerebral Palsy of Middle Tennessee, Inc.**  
Nashville, Tennessee

We have audited the accompanying financial statements of United Cerebral Palsy of Middle Tennessee, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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.

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 United Cerebral Palsy of Middle Tennessee, Inc., as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 12 to the financial statements, the Organization is party to a fundraising event in which they do not have control or oversight of the event's bank account. Consequently, we were unable to perform audit procedures related to the expenses or internal control matters related to the event. As the total related expenses are considered immaterial to the financial statements overall, our audit opinion is not modified with respect to this matter.

*CPA Consulting Group, PLLC*

Nashville, Tennessee  
December 12, 2018

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 46,795
Prepaid expenses	7,833
Grants receivable	78,430
Inventory	<u>342,720</u>

**Total current assets** 475,778

**PROPERTY AND EQUIPMENT, NET** 279,255

**OTHER ASSETS**

Beneficial interest in charitable remainder trust	1,182,480
Endowments	199,382
Loan costs, less accumulated amortization of \$400	622
Cash surrender value of life insurance	<u>5,211</u>

**Total other assets** 1,387,695

**Total assets** \$ 2,142,728

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 13,084
Accrued wages	3,044
Accrued vacation	18,833
Current portion of long-term debt	3,548
Deferred revenue	<u>13,300</u>

**Total current liabilities** 51,809

**NOTE PAYABLE, NET OF CURRENT PORTION** 79,920

**Total liabilities** 131,729

**NET ASSETS**

Unrestricted net assets	
Operating	619,177
Board designated	199,382
Temporarily restricted net assets	<u>1,192,440</u>

**Total net assets** 2,010,999

**Total liabilities and net assets** \$ 2,142,728

See accompanying notes to financial statements and independent auditors' report.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>			
Contributions and grants	\$ 285,855	\$ 440,884	\$ 726,739
Contributions - change in value of CRT	-	39,451	39,451
In-kind donations	674,681	-	674,681
Investment return	(631)	-	(631)
Special events	136,229	-	136,229
Net assets released from restriction	<u>467,985</u>	<u>(467,985)</u>	<u>-</u>
<b>Total revenue and other support</b>	<u>1,564,119</u>	<u>12,350</u>	<u>1,576,469</u>
<b>EXPENSES</b>			
Program services	1,199,899	-	1,199,899
Management and general	28,222	-	28,222
Fundraising	<u>57,374</u>	<u>-</u>	<u>57,374</u>
<b>Total expenses</b>	<u>1,285,495</u>	<u>-</u>	<u>1,285,495</u>
<b>CHANGE IN NET ASSETS</b>	<u>278,624</u>	<u>12,350</u>	<u>290,974</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>539,935</u>	<u>1,180,090</u>	<u>1,720,025</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 818,559</u></u>	<u><u>\$ 1,192,440</u></u>	<u><u>\$ 2,010,999</u></u>

See accompanying notes to financial statements and independent auditors' report.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	PROGRAM SERVICES						SUPPORTING SERVICES			
	<u>Educational Travel</u>	<u>Equipment Exchange</u>	<u>Family Support</u>	<u>Home Access</u>	<u>Other Programs</u>	<u>Total Program Service</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102	\$ -	\$ 102	\$ 102
Bank Charges	-	-	-	-	-	-	111	-	111	111
Client assistance	57,000	128	243,711	8,809	4,447	314,095	-	-	-	314,095
Depreciation	-	-	-	-	-	-	11,844	-	11,844	11,844
Dues and Fees	376	2,400	1,613	2,693	426	7,508	600	-	600	8,108
Food	10	66	70	71	12	229	17	-	17	246
In Kind Expense	-	590,147	-	-	-	590,147	-	-	-	590,147
Insurance	768	4,906	3,298	5,283	870	15,125	(4,696)	-	(4,696)	10,429
Interest	-	-	-	-	-	-	3,965	-	3,965	3,965
Internet	113	720	484	776	157	2,250	180	6	186	2,436
Mileage and Travel	-	-	364	(7,014)	(31)	(6,681)	-	-	-	(6,681)
Payroll	9,829	58,223	42,070	67,159	11,058	188,339	11,639	-	11,639	199,978
Postage	-	-	1,225	-	-	1,225	-	-	-	1,225
Professional Services	572	9,950	2,154	3,931	647	17,254	912	-	912	18,166
Repairs and Maintenance	-	-	-	240	-	240	-	-	-	240
Rutherford Prior	-	-	(2,609)	-	-	(2,609)	-	-	-	(2,609)
Special Events	-	-	-	-	-	-	-	57,428	57,428	57,428
Supplies	142	2,275	447	59,665	(1,441)	61,088	829	(60)	769	61,857
Telephone	142	905	1,549	975	160	3,731	835	-	835	4,566
Utilities	353	2,438	6	4,762	399	7,958	1,884	-	1,884	9,842
<b>Total</b>	<u>\$ 69,305</u>	<u>\$ 672,158</u>	<u>\$ 294,382</u>	<u>\$ 147,350</u>	<u>\$ 16,704</u>	<u>\$ 1,199,899</u>	<u>\$ 28,222</u>	<u>\$ 57,374</u>	<u>\$ 85,596</u>	<u>\$ 1,285,495</u>

See accompanying notes to financial statements and independent auditors' report.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	\$ 290,974
Adjustments to reconcile decrease in net assets to net cash flows used by operating activities:	
Amortization	102
Depreciation	11,844
Change in value of beneficial interest in charitable remainder trust	(39,451)
Change in value of cash surrender value of life insurance	138
Net in-kind contributions	(84,535)
(Increase) decrease in operating assets:	
Prepaid expenses	3,140
Grants receivable	9,470
Endowments	(199,382)
Undeposited funds	10,000
Increase (decrease) in operating liabilities:	
Accounts payable	(52,113)
Accrued wages	(286)
Accrued vacation	(2,857)
Deferred revenue	<u>3,300</u>

**NET CASH USED BY OPERATING ACTIVITIES** (49,656)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal payments on note payable	<u>(3,386)</u>
------------------------------------	----------------

**NET CASH USED BY FINANCING ACTIVITIES** (3,386)

**NET INCREASE IN CASH** (53,042)

**BEGINNING CASH** 99,837

**ENDING CASH** \$ 46,795

See accompanying notes to financial statements and independent auditors' report.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**General and Nature of Activities**

United Cerebral Palsy of Middle Tennessee, Inc. (the "Organization") was incorporated under the laws of the State of Tennessee as a nonprofit organization on May 23, 1985. The Organization's mission is to advance the independence, productivity, and full citizenship of people with all disabilities through a variety of hands-on services, and to provide support to family members and caregivers.

**Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Estimates**

The preparation of 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.

**Property and Equipment**

It is the Organization's policy to capitalize property and equipment over \$1,500. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight-line method over the estimated useful life of the asset ranging from 5 – 40 years. Expenditures for repairs and maintenance are expensed as incurred.

**Inventory**

Inventory consists of donated equipment to be used in the Equipment Exchange program. It is stated at estimated fair value based on its condition.

**Intangible Assets**

Intangible assets include loan costs on a refinance of the building loan and are amortized over 120 months. Total amortization expense of intangible assets for the year ended June 30, 2018, was \$102.



UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Functional Allocation of Expenses**

The costs of providing the programs and support services have been summarized on a functional basis in the statement of activities and statement of functional expenses. The statement of functional expenses has been prepared by allocating expenses between programs and supporting services, based on actual or estimated time employees spend on each function.

**Fair Values of Financial Instruments**

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments. The fair value of the note payable approximates the carrying amount and is estimated based on current rates offered to the Organization.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

**Grants Receivable**

The Organization receives several grants from the State of Tennessee. Most of these grants require submission of reimbursement requests to the granting agency, only after the expenditure of the funds. Grant revenue is recognized as these expenses are incurred. Grants receivable totaled \$78,430 at June 30, 2018.

The Organization also receives a grant from the Tennessee Housing Development Agency ("THDA"). The Organization subcontracts for wheelchair ramps to be built and then requests payment from THDA for these ramps. It is the Organization's accounting policy not to submit the request to the THDA until the subcontractor has fulfilled its obligations. The Organization recognizes revenue from this grant when the reimbursement request is sent to the THDA.

**Income Taxes**

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, Returns of Organization Exempt from Income Tax, for the years ending June 30, 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require additional adjustment or disclosure to the accompanying financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Subsequent Events**

Management has evaluated subsequent events through December 12, 2018, the date the financial statements were available to be issued.

**Recent Accounting Pronouncement**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make certain improvements that address many, but not all, of the identified issues about the current financial reporting for not-for-profit entities. The standard improves current requirements related to net asset classifications, liquidity assessment, expense reporting consistency, and methods used to present cash flow from operations. This guidance is effective for fiscal years beginning after December 15, 2017.

The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements in future years.

**NOTE 2 – CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash balances at several different banks. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. Cash in bank deposit accounts, at times during the year, may exceed federally insured limits. At June 30, 2018, the Organization had no amounts in excess of FDIC insured limits.

**NOTE 3 – TEMPORARILY RESTRICTED ASSETS**

The Organization is the remainder beneficiary of a charitable remainder trust. Because the assets are subject to a time restriction, the assets are classified as temporarily restricted.

The Burch family started a fund for persons of multiple births in which one or more of the persons has cerebral palsy and lives in the Franklin, Tennessee community. Each year the family makes a restricted donation to be used for medical equipment, therapy, and other needs of the qualified applicants. Total temporarily restricted net assets related to this fund at June 30, 2018, were \$9,960.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2018:

Buildings	\$ 363,648
Building improvements	117,264
Vehicles	24,717
Furniture and equipment	<u>37,062</u>
	542,691
Less accumulated depreciation	<u>(263,436)</u>
	<u>\$ 279,255</u>

Depreciation expense for the year ended June 30, 2018, was \$11,844.

**NOTE 5 – LONG-TERM DEBT**

The Organization has a note payable to Southeast Financial with an outstanding balance of \$83,468 at June 30, 2018. The note is secured by the Organization's main office. The loan is payable in monthly installments consisting of principal and interest, based on a variable rate between 4.65% and 6.0% per annum, and is scheduled to mature on August 7, 2024.

Future principal payments under note payable obligations as of June 30, 2018, for each of the remaining five years and in the aggregate thereafter are as follows:

<u>Years Ending June 30:</u>	
2019	3,548
2020	3,716
2021	3,893
2022	4,078
2023	4,272
Thereafter	<u>63,961</u>
	<u>\$ 83,468</u>

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 – DONATED PROPERTY**

The Organization receives donated equipment from various sources for use in their Equipment Exchange program. Donated property is included in in-kind donations on the statement of activities at estimated fair values amounting to \$658,782 for the year ended June 30, 2018. At June 30, 2018, the value of equipment held by the Organization was \$342,720.

The Organization also received in-kind donations of various equipment to be used in the operations of the Organization. These donated items were recorded at their estimated fair values. At June 30, 2018, the value of the equipment held by the Organization was \$15,899.

**NOTE 7 – CASH FLOW INFORMATION**

There were no income taxes paid. Total interest paid during the year ended June 30, 2018 was \$3,965.

**NOTE 8 – EMPLOYEE BENEFIT PLAN**

On February 1, 2008, the Organization adopted a 401(k) plan covering substantially all of its employees. Employees may contribute up to the maximum allowable under the Internal Revenue Code. Under the plan, the Organization may make discretionary matching contributions. The Organization did not make a matching contribution for the year ended June 30, 2018.

**NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Organization estimates the fair value for the contribution receivable from a beneficial interest in a charitable remainder unitrust by using an income approach based on calculating the present value of the future distribution expected to be received. This approach takes into account the Organization's determination of an appropriate risk-adjusted discount rate (3.4% at June 30, 2018), expected appreciation of the unitrust's investments, and life expectancy information published in the Annuity 2018 Mortality Table. The Organization remeasures the fair value of its beneficial interest in a charitable remainder trust annually and adjusts the measurement inputs based on statements received from the trustee, market conditions, and other relevant data.

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the year ended June 30, 2018. Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

Contribution receivable-beneficial interest in charitable remainder unitrust:

July 1, 2017	\$ 1,143,029
Change in value of split-interest agreement	<u>39,451</u>
June 30, 2018	<u><u>\$ 1,182,480</u></u>

**NOTE 10 – BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST**

The Organization has been named a remainder beneficiary of a charitable remainder trust, created upon the death of the trust settlor. The income beneficiary is to receive, first from income and, to the extent that income is insufficient, from principal, a total annuity each year equal to 5% of the net fair market value of the trust assets. Upon the death of the income beneficiary, the remaining principal is to be distributed to the Organization. A noncurrent asset for the remainder interest in the trust has been recognized at the present value of the expected future cash flow payments discounted at a rate of 3.4%. The expected future cash flow of \$1,182,480 represents the Organization's share of the fair market value of the trust principal at June 30, 2018. Changes in the value of the trust have been reported in the statement of activities as an increase in temporarily restricted net assets.

**NOTE 11 – LINE OF CREDIT**

The Organization has a line of credit with Southeast Financial Credit Union of \$145,000. At June 30, 2018, there was no outstanding balance on the line of credit. The interest rate is fixed at 6.75%. The line is collateralized by the building owned by United Cerebral Palsy of Middle Tennessee, Inc. The line matures on July 9, 2019.

**NOTE 12 – FUNDRAISING EXPENSES**

One of the Organization's fundraising events is managed by an unrelated committee specifically organized for this event, who controls the event's bank account. Accordingly, the Organization has no control or oversight of disbursements from this account. During the year ended June 30, 2018, reported expenses related to this event totaled \$20,912. This amount was included in the "Fundraising" expense line on the Statement of Activities.

**NOTE 13 – BOARD DESIGNATED FUNDS**

The Organization has earmarked certain unrestricted net assets for a specific purpose. These net assets have no donor-imposed restrictions and have been appropriately classified as a sub-category of unrestricted net assets, "Board Designated". This includes the Martin McGrath Endowment Fund, with the assets being held in a separate account designated by the Organization's Board of Directors.