

MID-TN SUPPORTED LIVING, INC.

**FINANCIAL STATEMENTS
AND OTHER INFORMATION**

JUNE 30, 2014 AND 2013

MID-TN SUPPORTED LIVING, INC.

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 12
OTHER INFORMATION	
Schedule of State Financial Assistance	13
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 <i>Government Auditing Standards</i>	14 - 15



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, 2014 and 2013, 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, 2014 and 2013, 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 16, 2014, 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, P.C.

Nashville, Tennessee
December 16, 2014

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

ASSETS

	June 30,	
	2014	2013
CURRENT ASSETS		
Cash	\$ 148,343	\$ 127,592
Accounts receivable - State of Tennessee	223,866	309,755
Accounts receivable - other	1,397	3,178
Other assets	<u>20,484</u>	<u>-</u>
Total current assets	<u>394,090</u>	<u>440,525</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>\$ 394,090</u>	<u>\$ 440,525</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 2,958	\$ 461
Accrued expenses	170,116	118,531
Revolving line-of-credit	-	80,000
Note payable - current portion	<u>30,000</u>	<u>-</u>
Total current liabilities	<u>203,074</u>	<u>198,992</u>
LONG-TERM LIABILITIES		
Note payable - noncurrent portion	<u>28,900</u>	<u>-</u>
Total liabilities	<u>231,974</u>	<u>198,992</u>
NET ASSETS		
Unrestricted	<u>162,116</u>	<u>241,533</u>
Total net assets	<u>162,116</u>	<u>241,533</u>
Total liabilities and net assets	<u>\$394,090</u>	<u>\$440,525</u>

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
STATEMENTS OF ACTIVITIES

	Year Ended June 30,	
	2014	2013
Changes in unrestricted net assets:		
Support and revenue:		
State of Tennessee and other contract revenue	\$ 2,940,942	\$2,850,218
United Way	38,761	38,844
Contributions	1,702	3,000
Interest	26	47
Total support and revenue	2,981,431	2,892,109
Expenses:		
Program Services:		
Support and client assistance	2,719,197	2,537,387
Management and general	341,651	313,463
Total expenses	3,060,848	2,850,850
(Decrease) increase in unrestricted net assets	(79,417)	41,259
Net assets at beginning of year	241,533	200,274
Net assets at end of year	\$ 162,116	\$ 241,533

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2014 AND 2013

	2014		
	<u>Support and Client Assistance</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$2,044,867	\$ 95,351	\$2,140,218
Employee benefits	241,906	11,280	253,186
Payroll taxes	148,157	6,908	155,065
Bank charges	-	15,101	15,101
Professional services	250	12,895	13,145
Supplies	-	11,468	11,468
Communications	13,600	11,351	24,951
Postage and delivery	-	1,337	1,337
Rent	100,864	39,848	140,712
Insurance	-	3,864	3,864
Travel / vehicle expense	79,412	11,989	91,401
Training	31,379	-	31,379
Equipment lease	-	5,171	5,171
Equipment repairs and maintenance	-	69,871	69,871
Advertising	-	782	782
Licenses and permits	-	2,239	2,239
Utilities	19,832	-	19,832
Background checks	3,230	-	3,230
Miscellaneous	12,494	41,019	53,513
United Way Collaborative	19,376	-	19,376
Bad debt	3,830	-	3,830
Interest	-	1,177	1,177
	<u>\$2,719,197</u>	<u>\$341,651</u>	<u>\$3,060,848</u>

2013		
<u>Support and Client Assistance</u>	<u>Management and General</u>	<u>Total</u>
\$1,853,631	\$ 87,435	\$1,941,066
230,669	10,881	241,550
139,520	6,581	146,101
-	13,662	13,662
-	8,737	8,737
-	9,837	9,837
20,479	13,113	33,592
-	1,026	1,026
93,088	51,729	144,817
-	20,540	20,540
97,253	13,320	110,573
33,245	-	33,245
-	5,263	5,263
-	40,598	40,598
-	-	-
-	2,751	2,751
19,829	-	19,829
1,575	-	1,575
20,207	22,173	42,380
18,085	-	18,085
9,806	-	9,806
-	5,817	5,817
<u>\$2,537,387</u>	<u>\$313,463</u>	<u>\$2,850,850</u>

See accompanying notes to financial statements.

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

	Year Ended June 30,	
	2014	2013
Cash flows from operating activities:		
(Decrease) increase in net assets	\$(79,417)	\$ 41,259
Adjustments to reconcile (decrease) increase in net assets to net cash provided by (used in) operating activities:		
Decrease (increase) in accounts receivable - State of Tennessee	85,889	(81,033)
Decrease (increase) in accounts receivable - other	1,781	(1,290)
Increase in other assets	(20,484)	-
Increase (decrease) in accrued expenses	51,585	(22,730)
Increase in accounts payable	<u>2,497</u>	<u>134</u>
Total adjustments	<u>121,268</u>	<u>(104,919)</u>
Net cash provided by (used in) operating activities	<u>41,851</u>	<u>(63,660)</u>
Cash flows from financing activities:		
Net payments on revolving line-of-credit	(80,000)	(20,000)
Net borrowings (payments) on notes payable	<u>58,900</u>	<u>(100,000)</u>
Net cash used in financing activities	<u>(21,100)</u>	<u>(120,000)</u>
Increase (decrease) in cash	20,751	(183,660)
Cash at beginning of year	<u>127,592</u>	<u>311,252</u>
Cash at end of year	<u>\$ 148,343</u>	<u>\$ 127,592</u>

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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, 2014 or 2013.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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, 2014 AND 2013

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 \$11,208 and \$12,679 for the years ended June 30, 2014 and 2013, respectively.

MID-TN SUPPORTED LIVING, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 AND 2013

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 \$223,866 and \$309,755 as of June 30, 2014 and 2013, 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, 2014. No liability has been recorded as of June 30, 2014 or 2013, 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 \$45,019 and \$56,992 for the years ended June 30, 2014 and 2013, respectively. Future minimum lease payments with terms exceeding one year are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Amount</u>
2015	\$35,881
2016	36,767
2017	<u>12,354</u>
	<u>\$85,002</u>

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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 2014 and 2013. 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

As of June 30, 2014, Mid-TN was obligated under an unsecured note payable to a member of the board with an outstanding principal balance of \$58,900 at an annual rate of 1%. Principal payments are due as follows:

2015	\$30,000
2016	<u>28,900</u>
	<u>\$58,900</u>

G. REVOLVING LINE-OF-CREDIT

The revolving line-of-credit at June 30, 2014 and 2013, 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, 2014). The outstanding balance on the line-of-credit as of June 30, 2014 and 2013, totaled \$-0- and \$80,000, 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 16, 2014, 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, 2014

<u>Program Title</u>	<u>State Contracts/ Grant Number</u>	<u>State Awards Amount</u>	<u>June 30, 2013</u>	<u>Receipts</u>	<u>State Disbursements Expenditures</u>	<u>June 30, 2014</u>
Medicare Waiver Program - State of Tennessee	10-188	N/A	<u>\$309,755</u>	<u>\$2,940,942</u>	<u>\$3,026,831</u>	<u>\$223,866</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, 2014, 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 16, 2014.

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.



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.

Crosselin + Associates, P.C.

Nashville, Tennessee
December 16, 2014