

MID-TN SUPPORTED LIVING, INC.

**FINANCIAL STATEMENTS
AND OTHER INFORMATION**

JUNE 30, 2019 AND 2018

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, 2019 and 2018, 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, 2019 and 2018, 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.

Changes in Financial Statement Presentation

As described in Note A of the financial statements, Mid-TN Supported Living, Inc. has adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, 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 solely 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 the effectiveness of Mid-TN Supported Living, Inc.’s 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, PLLC

Nashville, Tennessee
December 18, 2019

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

ASSETS

	June 30,	
	2019	2018
CURRENT ASSETS		
Cash	\$ 1,457	\$ 44,534
Accounts receivable - State of Tennessee	269,517	304,829
Accounts receivable - other	47,013	7,266
Other assets	-	3,352
Total current assets	317,987	359,981
FURNITURE AND EQUIPMENT		
Furniture and equipment	42,038	42,038
Less accumulated depreciation	(42,038)	(42,038)
Total furniture and equipment	-	-
Total assets	\$ 317,987	\$ 359,981

LIABILITIES AND NET DEFICIT

CURRENT LIABILITIES		
Accounts payable	\$ 299	\$ 327
Accrued expenses	99,057	172,298
Revolving line-of-credit	84,617	78,486
Notes payable - current portion	79,400	61,900
Total current liabilities	263,373	313,011
LONG-TERM LIABILITIES		
Notes payable - noncurrent portion	83,800	83,800
Total liabilities	347,173	396,811
NET DEFICIT		
Net assets without donor restrictions	(29,186)	(36,830)
Total net deficit	(29,186)	(36,830)
Total liabilities and net deficit	\$ 317,987	\$ 359,981

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
STATEMENTS OF ACTIVITIES

	Year Ended June 30,	
	2019	2018
Changes in net assets without donor restrictions:		
Support and revenue:		
State of Tennessee and other contract revenue	\$ 3,399,744	\$ 3,177,470
Contributions	6,174	151,140
Interest	10	9
Other	577	-
Total support and revenue	3,406,505	3,328,619
Expenses:		
Program Services:		
Support and client assistance	2,928,761	2,800,310
Management and general	470,100	452,959
Total expenses	3,398,861	3,253,269
Increase in net assets without donor restrictions	7,644	75,350
Net deficit at beginning of year	(36,830)	(112,180)
Net deficit at end of year	\$(29,186)	\$(36,830)

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019		
	<u>Support and Client Assistance</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$2,315,932	\$180,698	\$2,496,630
Employee benefits	175,002	13,654	188,656
Payroll taxes	180,093	14,052	194,145
Bank charges	-	14,788	14,788
Professional services	-	11,472	11,472
Supplies	-	7,898	7,898
Communications	17,716	7,882	25,598
Postage and delivery	-	587	587
Rent	131,528	42,947	174,475
Travel / vehicle expense	59,578	51,011	110,589
Training	13,359	-	13,359
Equipment lease	-	6,968	6,968
Equipment repairs and maintenance	-	24,170	24,170
Advertising	-	11,199	11,199
Licenses and permits	-	3,929	3,929
Utilities	21,053	-	21,053
Background checks	1,998	-	1,998
Miscellaneous	12,242	35,491	47,733
Interest	-	10,991	10,991
Bad debt	260	-	260
Insurance	-	32,363	32,363
	<u>\$2,928,761</u>	<u>\$470,100</u>	<u>\$3,398,861</u>

2018		
<u>Support and Client Assistance</u>	<u>Management and General</u>	<u>Total</u>
\$2,163,892	\$209,505	\$2,373,397
174,053	16,777	190,830
163,498	15,759	179,257
-	14,993	14,993
-	7,891	7,891
-	7,501	7,501
26,710	10,205	36,915
-	616	616
135,011	40,384	175,395
70,648	46,389	117,037
11,081	-	11,081
-	6,867	6,867
-	24,746	24,746
-	4,484	4,484
-	4,793	4,793
25,489	-	25,489
1,617	-	1,617
28,311	19,040	47,351
-	23,009	23,009
-	-	-
-	-	-
<u>\$2,800,310</u>	<u>\$452,959</u>	<u>\$3,253,269</u>

See accompanying notes to financial statements.

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

	Year Ended June 30,	
	2019	2018
Cash flows from operating activities:		
Increase in net assets	\$ 7,644	\$ 75,350
Adjustments to reconcile (decrease) increase in net cash (used in) provided by operating activities:		
Increase in accounts receivable - State of Tennessee	35,312	(27,722)
Decrease in accounts receivable - other	(39,747)	1,971
Decrease (increase) in other assets	3,352	(3,352)
(Decrease) increase in accrued expenses	(73,241)	28,775
Decrease in accounts payable	<u>(28)</u>	<u>-</u>
Total adjustments	<u>(74,352)</u>	<u>(328)</u>
Net cash (used in) provided by operating activities	<u>(66,708)</u>	<u>75,022</u>
Cash flows from financing activities:		
Net borrowings (payments) on revolving line-of-credit	6,131	(15,478)
Net borrowings (payments) on notes payable	<u>17,500</u>	<u>(30,417)</u>
Net cash provided by (used in) financing activities	<u>23,631</u>	<u>(45,895)</u>
(Decrease) increase in cash	(43,077)	29,127
Cash at beginning of year	<u>44,534</u>	<u>15,407</u>
Cash at end of year	<u>\$ 1,457</u>	<u>\$ 44,534</u>

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 Financial Statements

The financial statements of Mid-TN have been prepared on the accrual basis of accounting.

For reporting purposes, Mid-TN’s financial statements have been prepared to focus on the organization as a whole. Resources are classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Mid-TN and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - Net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of Mid-TN. These net assets may be used at the discretion of Mid-TN’s management and the board of directors.
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Mid-TN or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Mid-TN did not have any net assets with donor restrictions at June 30, 2019 or 2018.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 use with no donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes or permanently restricted support are reported as net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions that are temporary in nature are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Unconditional promises to give in the future are recognized as net assets with donor restrictions 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, notes payable and a revolving line-of-credit. The recorded values of accounts receivable, accounts payable, accrued expenses and the notes payable 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, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the functional categories based on the actual direct expenditures and cost allocations based upon estimates of time spent by Mid-TN's personnel.

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 did not contribute to the plan for the years ended June 30, 2019 and 2018.

Reclassifications

Certain reclassifications have been made to the 2018 amounts in order to conform to the presentation adopted for 2019.

MID-TN SUPPORTED LIVING, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Pronouncement

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Mid-TN has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14.

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets at year-end:	
Cash	\$ 1,457
Accounts receivable - State of Tennessee	269,517
Accounts receivable - other	<u>47,013</u>
Total financial assets	<u>317,987</u>
Financial assets not available to be used within one year	
	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$317,987</u>

C. 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 \$269,517 and \$304,829 as of June 30, 2019 and 2018, respectively.

MID-TN SUPPORTED LIVING, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019 AND 2018

D. 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, 2019. No liability has been recorded as of June 30, 2019 or 2018, for these costs as no determination has been made by the grantor agencies as to any amount for any grant or contract.

E. OPERATING LEASE

Mid-TN leases its office space under a lease that requires a monthly payment of \$3,484. This lease was amended in October 2019 to extend the term of the lease through October 31, 2020. Annual lease payments for office space and equipment leases totaled \$49,915 and \$50,603 for the years ended June 30, 2019 and 2018, 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>
2020	\$46,641
2021	<u>16,353</u>
Total	<u>\$62,994</u>

F. 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 99% and 95% for 2019 and 2018, respectively. 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.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

G. NOTE PAYABLE

On February 20, 2016, Mid-TN borrowed \$80,000 from a member of the board under an unsecured note payable at an annual rate of 1%. During the year ended June 30, 2017, Mid-TN borrowed an additional \$8,000. The outstanding balance on this note as of June 30, 2019 and 2018, was \$85,700. Principal payments of \$28,567 are due on March 31, 2020, 2021, and 2022.

On December 1, 2016, Mid-TN borrowed \$40,000 from a member of the board under an unsecured note payable at an annual rate of 0%. The outstanding balance on this note as of June 30, 2019, was \$40,000. Payments are due on the note beginning in January 2020 and continue through January 2022.

On April 30, 2019, Mid-TN borrowed \$45,000 from an online alternative lender under an unsecured note payable at an annual rate of 28%. The outstanding balance on this note as of June 30, 2019 was \$37,500. Principal payments of \$3,750 plus interest are due monthly until maturity in April 2020.

Principal maturities of notes payable are as follows:

<u>Year Ending June 30,</u>	
2020	\$164,017
2021	41,900
2022	<u>41,900</u>
	<u>\$247,817</u>

H. REVOLVING LINE-OF-CREDIT

The revolving line-of-credit at June 30, 2019 and 2018, represented borrowings under an agreement with a 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 2.50% (6.75% at June 30, 2019). The outstanding balance on the line-of-credit as of June 30, 2019 and 2018, totaled \$84,617 and \$78,486, respectively. The line-of-credit has an open maturity date at the discretion of the lender and is collateralized by all of Mid-TN's assets.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 18, 2019, the date the financial statements were available for issuance, and has no items requiring disclosure.

OTHER INFORMATION



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, 2019, 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 18, 2019.

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 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, PLLC

Nashville, Tennessee
December 18, 2019

MID-TN SUPPORTED LIVING, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019 AND 2018

There were no prior findings reported.