

MID-TN SUPPORTED LIVING, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2010 AND 2009

MID-TN SUPPORTED LIVING, INC.

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Mid-TN Supported Living, Inc., "Mid-TN," (a nonprofit Corporation) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Mid-TN's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Mid-TN Supported Living, Inc. as of June 30, 2009, were audited by other auditors whose report dated November 15, 2009, expressed an unqualified opinion on those statements.

We conducted our audit 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 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position Mid-TN Supported Living, Inc as of June 30, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2010, on our consideration of Mid-TN'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* and should be considered in assessing the results of our audit.

Mid-TN Supported Living, Inc.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Mid-TN Supported Living, Inc. taken as a whole. The accompanying schedule of state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Crosslin + Associates, P.C.

Nashville, Tennessee
September 27, 2010

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

ASSETS

	June 30,	
	2010	2009
CURRENT ASSETS		
Cash	\$ 294,186	\$ 398,853
Accounts receivable - State of Tennessee	201,471	212,121
Accounts receivable - other	5,566	16,411
Total current assets	501,223	627,385
FURNITURE AND EQUIPMENT		
Furniture and equipment	42,038	42,038
Less accumulated depreciation	(36,621)	(31,203)
Total furniture and equipment	5,417	10,835
Total assets	<u>\$ 506,640</u>	<u>\$ 638,220</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued expenses	\$106,723	\$ 42,033
Total current liabilities	106,723	42,033
NET ASSETS		
Unrestricted	399,917	596,187
Total net assets	399,917	596,187
Total liabilities and net assets	<u>\$506,640</u>	<u>\$638,220</u>

See accompanying notes to financial statements.

**MID-TN SUPPORTED LIVING, INC.
STATEMENT OF ACTIVITIES**

	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Changes in unrestricted net assets:		
Support and revenue:		
State of Tennessee contract revenue	\$ 2,458,278	\$ 2,444,225
United Way	38,753	39,000
Contributions	1,948	1,677
Interest	2,111	1,652
Miscellaneous	-	8
Total support and revenue	2,501,090	2,486,562
Expenses:		
Program Services:		
Support and client assistance	2,332,528	2,251,069
Management and general	364,832	339,711
Total expenses	2,697,360	2,590,780
Decrease in unrestricted net assets	(196,270)	(104,218)
Net assets at beginning of year	596,187	700,405
Net assets at end of year	\$ 399,917	\$ 596,187

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010 AND 2009

	2010		
	<u>Support and Client Assistance</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$1,647,970	\$180,645	\$1,828,615
Employee benefits	252,562	28,063	280,625
Payroll taxes	120,503	13,389	133,892
Bank charges	-	857	857
Professional services	90	8,625	8,715
Supplies	-	12,476	12,476
Communications	6,319	13,036	19,355
Printing	-	592	592
Postage and delivery	-	933	933
Rent	108,787	48,689	157,476
Insurance	-	7,262	7,262
Travel / vehicle expense	89,351	15,868	105,219
Training	10,783	-	10,783
Equipment lease	-	4,894	4,894
Equipment repairs and maintenance	-	7,322	7,322
Advertising	-	99	99
Licenses and permits	-	2,035	2,035
Utilities	20,062	-	20,062
Back ground checks	1,177	-	1,177
Loss from theft and fraud	-	-	-
Miscellaneous	43,089	14,629	57,718
United Way Collaborative	17,072	-	17,072
Day program expense	497,	-	497
Depreciation	-	5,418	5,418
Bad debt	<u>14,266</u>	<u>-</u>	<u>14,266</u>
	<u>\$2,332,528</u>	<u>\$364,832</u>	<u>\$2,697,360</u>

2009		
<u>Support and Client Assistance</u>	<u>Management and General</u>	<u>Total</u>
\$1,590,005	\$154,938	\$1,744,943
243,309	27,034	270,343
120,037	13,337	133,374
-	295	295
135	5,687	5,822
-	16,305	16,305
7,212	13,526	20,738
-	67	67
-	934	934
105,519	43,014	148,533
-	6,939	6,939
100,251	18,801	119,052
9,208	-	9,208
-	4,548	4,548
-	11,478	11,478
-	3,067	3,067
-	2,060	2,060
20,246	-	20,246
4,475	-	4,475
-	107	107
35,162	11,932	47,094
15,000	-	15,000
510	-	510
-	5,642	5,642
-	-	-
<u>\$2,251,069</u>	<u>\$339,711</u>	<u>\$2,590,780</u>

See accompanying notes to financial statements.

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

	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Decrease in net assets	\$(196,270)	\$(104,218)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation	5,418	5,642
Decrease in accounts receivable - State of Tennessee	10,650	150,990
Decrease (increase) in accounts receivable - other	10,845	(12,043)
Increase in accrued expenses	<u>64,690</u>	<u>199</u>
Total adjustments	<u>91,603</u>	<u>144,788</u>
Net cash (used in) provided by operating activities	<u>(104,667)</u>	<u>40,570</u>
Cash flows from investing activities:		
Purchase of furniture and equipment	<u>-</u>	<u>(935)</u>
Net cash used in investing activities	<u>-</u>	<u>(935)</u>
(Decrease) increase in cash	(104,667)	39,635
Cash at beginning of year	<u>398,853</u>	<u>359,218</u>
Cash at end of year	<u>\$ 294,186</u>	<u>\$ 398,853</u>

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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 meaningfully 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, 2010 or 2009.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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 and accrued expenses. The recorded values of accounts receivable and accrued expenses approximate their fair values based on their short-term nature.

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, 2010 AND 2009

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.

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 \$16,699 and \$26,586 for the years ended June 30, 2010 and 2009, respectively.

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 \$201,471 and \$212,121 as of June 30, 2010 and 2009, respectively.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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 will be made by the individual grantor agencies subsequent to June 30, 2010. No liability has been recorded as of June 30, 2010 or 2009 for these costs as no determination has been made by the grantor agencies as to any amount for any grant.

D. OPERATING LEASE

Mid-TN leases its office space under a lease that requires a monthly payment of \$3,956. This lease is effective through March 31, 2013. Annual lease payments totaled \$48,689 and \$43,014 for the years ended June 30, 2010 and 2009, respectively. Future minimum lease payments with terms exceeding one year are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2011	\$ 48,462
June 30, 2012	49,254
June 30, 2013	<u>37,386</u>
Total	<u>\$135,102</u>

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 90% for 2010 and 2009. A significant reduction in the levels of this support, if this was 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, 2010 AND 2009

F. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 27, 2010, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

SUPPLEMENTAL INFORMATION

MID-TN SUPPORTED LIVING, INC.
 SCHEDULE OF FEDERAL AND STATE AWARDS
 YEAR ENDED JUNE 30, 2010

<u>Program Title</u>	<u>State Contacts/ Grant Number</u>	<u>State Awards Amount</u>	<u>June 30, 2009</u>	<u>Receipts</u>	<u>State Disbursements Expenditures</u>	<u>June 30, 2010</u>
Medicare Waiver Program - State of Tennessee	10-188	N/A	<u>\$212,121</u>	<u>\$2,462,199</u>	<u>\$2,458,278</u>	<u>\$201,471</u>

See accompanying notes to financial statements.