

**DOWN SYNDROME ASSOCIATION
OF MIDDLE TENNESSEE**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2018

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

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**BELLENFANT**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Professional Accounting & Consulting Services

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Down Syndrome Association of Tennessee
Mt. Juliet, Tennessee

We have audited the accompanying financial statements of Down Syndrome Association of Tennessee, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows 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 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.

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 Down Syndrome Association of Tennessee as of December 31, 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.

Bellenfant, PLLC

May 3, 2019

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 282,920
Inventory	891
Investments	13,525
Notes Receivable, current portion	<u>1,328</u>
Total Current Assets	<u>298,664</u>

PROPERTY AND EQUIPMENT

Computer Equipment	1,500
Less: Accumulated Depreciation	<u>(400)</u>
Property and Equipment, net	<u>1,100</u>

OTHER ASSETS

Notes Receivable, noncurrent portion	71,854
Website, net of accumulated amortization of \$12,889	<u>3,111</u>
Total Other Assets	<u>74,965</u>
Total Assets	<u><u>374,729</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	<u>14,742</u>
Total Liabilities	<u>14,742</u>

NET ASSETS

Net Assets Without Donor Restrictions	356,937
Net Assets With Donor Restrictions	<u>3,050</u>
Total Net Assets	<u>359,987</u>
Total Liabilities and Net Assets	<u><u>\$ 374,729</u></u>

The accompanying notes are an integral part of these statements.

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Public Support:			
Contributions	\$ 244,092	\$ -	\$ 244,092
Sponsorships	104,746	-	104,746
Program Events and Activities	81,348	-	81,348
Sale of Merchandise, less cost of sales	10	-	10
	<u>430,196</u>	<u>-</u>	<u>430,196</u>
Total Public Support	<u>430,196</u>	<u>-</u>	<u>430,196</u>
Other Revenue:			
Interest Income	1,007	-	1,007
Investment Gain (Loss)	<u>-</u>	<u>(1,526)</u>	<u>(1,526)</u>
Net assets released from restrictions	<u>(1,526)</u>	<u>1,526</u>	<u>-</u>
Total Revenue	<u>429,677</u>	<u>-</u>	<u>429,677</u>
EXPENSES			
Program Services	339,894	-	339,894
Management and General	29,742	-	29,742
Fundraising	<u>55,234</u>	<u>-</u>	<u>55,234</u>
Total Expenses	<u>424,870</u>	<u>-</u>	<u>424,870</u>
Change in Net Assets	4,807	-	4,807
Net Assets, beginning of the year	<u>352,130</u>	<u>3,050</u>	<u>355,180</u>
Net Assets, end of the year	<u><u>\$ 356,937</u></u>	<u><u>\$ 3,050</u></u>	<u><u>\$ 359,987</u></u>

The accompanying notes are an integral part of these statements.

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Total Program Services	Management and General	Fundraising	Total
Amortization	\$ 4,267	\$ 373	\$ 693	\$ 5,333
Depreciation	240	21	39	300
Donations and Outreach	7,267	636	1,181	9,084
Scholarships and Sponsorships	3,240	284	527	4,051
Insurance	5,304	464	862	6,630
Merchant Fees	7,232	633	1,175	9,040
Other Expenses	1,015	89	165	1,269
Outside Services	28,289	2,475	4,597	35,361
Postage, Printing and Office	9,500	831	1,544	11,875
Program Events	8,152	713	1,325	10,190
Rent	4,031	353	655	5,039
Salaries, Taxes and Benefits	135,956	11,896	22,093	169,945
Supplies	74,292	6,501	12,072	92,865
Travel and Business Meals	17,014	1,489	2,765	21,268
Venue Fees	33,096	2,896	5,378	41,370
Debt Forgiven	999	88	163	1,250
Total Expenses	<u>\$ 339,894</u>	<u>\$ 29,742</u>	<u>\$ 55,234</u>	<u>\$ 424,870</u>

The accompanying notes are an integral part of these statements.

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 4,807
Amortization	5,333
Depreciation	300
Realized/Unrealized (Gain) Loss on Investments	969
Adjustments to reconcile change in net assets to net cash provided by operations	
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	<u>(9,309)</u>
Net Cash Provided (Used) by Operating Activities	<u>2,100</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Expenses (Income)	557
(Increase) Decrease in Notes Receivable	<u>2,578</u>
Net Cash Provided (Used) by Investing Activities	<u>3,135</u>
Net Increase (Decrease) in Cash	5,235
Cash, beginning of the year	<u>277,685</u>
Cash, end of the year	<u><u>\$ 282,920</u></u>

The accompanying notes are an integral part of these statements.

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose

Down Syndrome Association of Middle Tennessee (the "Association") is a non-profit corporation incorporated in the state of Tennessee on February 29, 1996. The purpose of the Association is to enhance the quality of life throughout the lifespan of all individuals with Down Syndrome by providing support, information and education to families, professionals and communities.

Financial Statement Presentation

The financial statements of the Organization are presented on the accrual basis of accounting. Revenue is generally recognized when earned. Expenses are generally recognized when incurred.

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Organization is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - These are net assets that are not subject to donor-imposed stipulations. The Organization had \$356,937 of net assets without donor restrictions as of December 31, 2018.

Net assets with donor restrictions - These are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. This classification also includes net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had \$3,050 of net assets with donor restrictions as of December 31, 2018.

The Organization accounts for contributions in accordance with the requirements of the FASB Accounting Standards Codification Revenue Recognition Topic. In accordance with the FASB Accounting Standards Codification, contributions received are recorded depending on the existence or nature of any donor restrictions.

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents. The cash accounts are held primarily by financial institutions and at times may exceed amounts that are federally insured.

Inventory

Inventory consists of jewelry held for resale that was donated during 2016. The inventory was valued at the fair market value of the jewelry on date of donation and is being accounted for using the first-in, first-out method. Inventory will be periodically evaluated and written down to the lower of cost or market if a loss of value occurs.

Investments

The Organization accounts for investments in accordance with FASB Accounting Standards Codification topic relating to Accounting for Certain Investments Held by Not-for-Profit Organizations. Under FASB Accounting Standards Codification, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair market values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Investment income and unrealized gains and losses are reported as changes in unrestricted net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are reported.

Contributions and Promises to Give

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. The Association does not recognize a conditional promise to give until the conditions on which the promise depends are substantially met. A promise that calls for specific outcomes to be achieved will be treated as a conditional promise to give. Contributions are recorded depending on the nature of donor restrictions. Restricted contributions are reported as increases in net assets with donor restrictions. When the restriction is met the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions. If a donor's restriction is met in the same period that the support is recognized, the contribution is reported as an increase in net assets without donor restrictions.

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Fixed assets are recorded at cost, or in the case of contributed property, at the fair market value at the date of contribution. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is expensed as incurred. Depreciation is computed generally using the straightline method over estimated useful lives as follows:

Furniture and Fixtures	5-7 years
Equipment	5-7 years
Vehicles	5 years
Computer Equipment	5 years

Depreciation expense for the year ended December 31, 2018 totaled \$300.

Donated Service

Unpaid volunteers make contribution of time in various administrative and program functions. The value of contributed time is not reflected in the financial statements as it is not susceptible to objective measurement of valuation.

Income Taxes

The Organization has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation.

The Organization has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Organization believes that it has taken no uncertain tax positions.

The Organization files a U.S. Federal Form 990-Return of Organization Exempt from Income Tax. The Organization's returns for the years prior to calendar year 2015 are no longer open for examination.

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 estimates.

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

2. ENDOWMENT

The Association has an endowment with the Community Foundation of Middle Tennessee. The endowment was established by the Association in 2004 with a \$5,000 contribution designated by the Board of Directors to establish the fund and function as an endowment. As required by accounting principles generally accepted in the U.S. net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Association has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) the Association's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Association has no control over the investment allocation of the endowment fund. The Community Foundation of Middle Tennessee maintains the funds and investments follow the investment policies adopted and approved by the Board of Directors of The Community Foundation of Middle Tennessee. Accordingly, the Association has not adopted an investment policy related to the endowment.

Spending Policy

The Association has no control over the amount that is distributed from the endowment and the amount that is being distributed is minimal. Accordingly, the Association has not adopted a spending policy related to the endowment.

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

2. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment</u>
Donor-restricted funds	\$ -	\$ 3,050	\$ 3,050
Board-designated funds	10,475	-	10,475
	<hr/>	<hr/>	<hr/>
Total Funds	\$ 10,475	\$ 3,050	\$ 13,525

Changes in endowment net assets as of December 31, 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment</u>
Endowment, beginning of year	\$ 12,001	\$ 3,050	\$ 15,051
Interest/dividend income	243		243
Realized Gain (Loss)	446		446
Unrealized Gain (Loss)	(1,415)		(1,415)
Grants Paid	(700)		(700)
Fees	(100)		(100)
	<hr/>	<hr/>	<hr/>
Endowment, end of year	\$ 10,475	\$ 3,050	\$ 13,525

3. MORTGAGES RECEIVABLE AND CONTINGENT LIABILITY

The Association holds a first and second mortgage associated with the sale of a home constructed as part of the Home of Your Own program. The mortgage is secured by the home and is serviced by Pinnacle National Bank. The first mortgage in the original amount is a non-interest bearing loan with 384 monthly payments in the amount of \$111. The second mortgage is a non-interest bearing loan with 384 payments of \$104 that are forgiven with each month so long as the first mortgage is not in default. If the owner of the home defaults the first mortgage held by FAHE, Inc., the Association would be obligated to purchase the second mortgage from the holder. The Association would then be able to foreclose on and sell the property. The current balance of the first and second mortgages as of December 31, 2018 are \$22,688 and \$21,354, respectively. The first mortgage currently held by FAHE, Inc. has historically been paid on time and is currently in good standing, therefore the Association has not recorded a liability for the unpaid principal.

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

3. MORTGAGES RECEIVABLE AND CONTINGENT LIABILITY (Continued)

As of December 31, 2018, the Association held a third mortgage with the sale of a home constructed as part of the same program. The balance as of December 31, 2018 was \$29,140, but the note receivable has been paid in full as of March 2019.

The Association maintains the notes receivable balances at the original note amount less principal payments. The amounts that represent loan forgiveness are recognized each month as a reduction in principal. The note balances as of December 31, 2018 is as follows:

Bledsoe (first and second mortgage)	\$ 44,042
McCleary (third mortgage)	<u>29,140</u>
Total Notes Receivable	<u>\$ 73,182</u>

During the year ended December 31, 2018, the Association forgave debt of \$1,250. The total collateral value of the properties secured is \$317,000.

4. WEBSITE

During 2016 the Association developed a new website to promote its services and incurred \$16,000 of website development costs. The website development costs are being amortized over a three year period.

Amortization expense for the year ended December 31, 2018 totaled \$5,333.

5. COMPENSATED ABSENCES

Employees of the Association are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. Any unused paid time off expires annually and does not carry over from year to year, and accordingly, no liability has been recorded in the accompanying financial statements. The Association's policy is to recognize the cost of compensated absences when actually paid to employees.

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

6. CONCENTRATIONS

The Association maintains deposits in financial institutions that at times exceed the amounts covered by insurance provided by the Federal Deposit Insurance Corporation ("FDIC").

The Association is heavily reliant on revenues earned during special events and receiving charitable donations. If the Association's funding sources decreased extensively, the Association would experience significant difficulty in sustaining its current level of operations.

7. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Association's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets, at year-end	\$ 296,445
Less: assets unavailable for general expenditures within one year, due to donor-imposed restrictions	<u>(3,050)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 293,395</u></u>

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 3, 2019 which is the date the financial statements were available to be issued.