

2021

Financial Statements

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021

(With Independent Auditor's Report Thereon)

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2021

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2021, 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 United Cerebral Palsy of Middle Tennessee, Inc. as of June 30, 2021, 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.

Patterson Hardee & Ballentine

May 6, 2022

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021

ASSETS

Current Assets:		
Cash and restricted cash	\$ 240,583	
Grant receivable	82,231	
Inventory	127,911	
Total current assets		\$ 450,725
Property and equipment, net of accumulated depreciation of \$317,270		461,746
Other Assets		
Beneficial interest in charitable remainder trusts	1,484,645	
Board-designated endowment	301,411	
Cash surrender value of life insurance	5,055	
Total other assets		1,791,111
Total Assets		<u>\$ 2,703,582</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 11,626	
Accrued expenses	24,499	
Long-term debt, current maturities	4,901	
Deferred revenue	5,047	
Total current liabilities		\$ 46,073
Noncurrent liabilities:		
Long-term debt, net of current installments	278,382	
Paycheck Protection Program loan	85,055	
Total noncurrent liabilities		363,437
Total Liabilities		409,510
Net Assets:		
Without donor restrictions		
Undesignated	447,396	
Board designated	318,271	
With donor restrictions	1,528,405	
Total net assets		2,294,072
Total Liabilities and Net Assets		<u>\$ 2,703,582</u>

See accompanying notes to the financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Gains and Other Support			
Contributions and grants	\$ 670,383	\$ 53,120	\$ 723,503
Contributions - change in value of interest in charitable remainder trusts	-	283,322	283,322
In-kind donations	281,109	-	281,109
Investment return	59,348	-	59,348
Net assets released from restriction	26,200	(26,200)	-
	<u>1,037,040</u>	<u>310,242</u>	<u>1,347,282</u>
Total Revenue, Gains and Other Support			
Expenses:			
Program services	1,182,830	-	1,182,830
Supporting services:			
Management and general	54,608	-	54,608
Fundraising	2,979	-	2,979
	<u>57,587</u>	<u>-</u>	<u>57,587</u>
Total supporting services			
	<u>1,240,417</u>	<u>-</u>	<u>1,240,417</u>
Total program and supporting services			
Change in net assets	(203,377)	310,242	106,865
Net assets - beginning of year	969,044	1,218,163	2,187,207
Net assets - end of year	<u>\$ 765,667</u>	<u>\$ 1,528,405</u>	<u>\$ 2,294,072</u>

See accompanying notes to the financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services					
	<u>Educational</u>	<u>Equipment</u>	<u>Family</u>	<u>Home</u>	<u>Other</u>	<u>Total</u>
	<u>Travel</u>	<u>Exchange</u>	<u>Support</u>	<u>Access</u>	<u>Programs</u>	<u>Program Services</u>
Bank charges	\$ 10	\$ 64	\$ 43	\$ 69	\$ 12	\$ 198
Client assistance	29,472	-	263,575	95,198	500	388,745
Dues and fees	499	3,297	2,138	3,425	563	9,922
Food	4	27	18	30	6	85
In-kind expense	-	426,120	-	-	-	426,120
Insurance	923	5,889	3,960	6,343	1,043	18,158
Interest	-	-	-	-	-	-
Internet and telephone	293	1,874	2,780	2,019	335	7,301
Office and supplies	251	8,068	2,270	97,816	279	108,684
Payroll expenses	18,945	62,067	49,443	66,247	7,033	203,735
Professional services	267	1,708	1,148	9,339	304	12,766
Utilities	293	1,871	1,257	3,361	334	7,116
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation and amortization	50,957	510,985	326,632	283,847	10,409	1,182,830
Depreciation and amortization	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 50,957</u>	<u>\$ 510,985</u>	<u>\$ 326,632</u>	<u>\$ 283,847</u>	<u>\$ 10,409</u>	<u>\$ 1,182,830</u>

See accompanying notes to the financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

	Supporting Services			
	Total	Management and		Total
	<u>Program Services</u>	<u>General</u>	<u>Fundraising</u>	<u>Expenses</u>
Bank charges	\$ 198	\$ 221	\$ -	\$ 419
Client assistance	388,745	-	-	388,745
Dues and fees	9,922	1,416	-	11,338
Food	85	7	74	166
In-kind expense	426,120	-	-	426,120
Insurance	18,158	3,109	-	21,267
Interest	-	7,317	-	7,317
Internet and telephone	7,301	469	-	7,770
Office and supplies	108,684	741	-	109,425
Payroll expenses	203,735	14,062	2,905	220,702
Professional services	12,766	3,532	-	16,298
Utilities	7,116	467	-	7,583
Total expenses before depreciation and amortization	1,182,830	31,341	2,979	1,217,150
Depreciation and amortization	-	23,267	-	23,267
Total expenses	<u>\$ 1,182,830</u>	<u>\$ 54,608</u>	<u>\$ 2,979</u>	<u>\$ 1,240,417</u>

See accompanying notes to the financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Cash Flows From Operating Activities:		
Change in net assets	\$	106,865
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		22,763
Change in value of beneficial interest in charitable remainder trust		(283,322)
Net in-kind contributions		145,010
Endowment investment income		(53,104)
Changes in:		
Grant receivable		(16,304)
Accounts payable		7,980
Accrued expenses		(70)
		<hr/>
Net cash used in operating activities	\$	(70,182)
Cash Flows From Investing Activities:		
Purchases of investments		(263,480)
Sales of investments		218,474
Purchases of property and equipment		(46,680)
		<hr/>
Net cash used in investing activities		(91,686)
Cash Flows from Financing Activities:		
Proceeds from long-term debt		193,220
Principal payments on long-term debt		(153,674)
		<hr/>
Net cash provided by financing activities		39,546
Net change in cash		(122,322)
Cash and restricted cash - beginning of year		<hr/> 362,905
Cash and restricted cash - end of year	\$	<hr/> <hr/> 240,583
Supplemental cash flow disclosure:		
Cash portion of board-designated endowment	\$	16,860
Restricted cash		43,760
Unrestricted cash		179,963
	\$	<hr/> <hr/> 240,583

See accompanying notes to the financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - Summary of Significant Accounting Policies

Description of Business 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.

Program services

Among services included in the accompanying financial statements are the following programs:

Equipment Exchange – The program provides durable medical and adaptive equipment to people throughout Tennessee, regardless of their diagnosis. The Organization seeks new and gently used durable medical equipment to redistribute the donated items to individuals who have little or no insurance and no other resources to obtain the equipment they need.

Family Support – The state of Tennessee legislature established this program to serve each county in Tennessee. The Organization provides this service for Rutherford County, Tennessee. The program is funded by state dollars and designed to assist individuals with severe disabilities and their families to remain together in their homes and communities.

Home Access – Through this program, the Organization builds wheelchair ramps and coordinates state-wide construction of these ramps for individuals with mobility disabilities, and whose homes are without proper accessibility. The Organization also performs a limited number of disability-related housing modifications, such as bathroom modifications for wheelchair access. Working in conjunction with collaborating agencies, volunteers from churches, civic clubs, and other area groups, the Organization spearheads the construction of these ramps on homes of persons with disabilities across the state of Tennessee. Lumber and supplies for the program are funded through a grant from the Tennessee Housing Development Agency ("THDA").

Educational Travel – This program is a joint project with the Tennessee Developmental Disabilities Council. It is a travel fund that is non-disability specific and is available to people with disabilities throughout the state of Tennessee. This fund allows individuals with disabilities and their assistants or family members to attend educational conferences and workshops throughout the United States which address a variety of disability issues. The project also brings educational conferences and workshops to Tennessee. Due to COVID, conferences and workshops that would have been funded under this contract were not held. Therefore, the Council made the decision to assist with technological supports to allow online conferences.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - Summary of Significant Accounting Policies (continued)

Accordingly, our net assets 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 the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with original maturities of three months or less to be cash equivalents. At June 30, 2021, there are no cash equivalents.

Grants receivable

Grants receivable consist of amounts due to the Organization related to reimbursable grants for which reimbursement requests had been submitted at June 30, 2021, but funds have not yet been received.

Property and Equipment

Property and equipment are recorded at cost at the date of purchase or, if donated, at the estimated fair value at the date of donation. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, ranging from five to forty years. Expenditures that substantially increase the useful lives of existing property and equipment items are capitalized, while expenditures for maintenance and repairs are expensed as paid. The Organization's capitalization policy is to capitalize any expenditure over \$1,500.

Inventory

Inventory consists of durable medical equipment and other supplies to be used in the Organization's Equipment Exchange program, which provides these items to those with disabilities in need. Inventory is stated at estimated fair value based on its condition.

Impairment of Long-lived Assets

If there is an event or a change in circumstances adversely impacting the recoverability of long-lived assets, the Organization's policy is to assess any impairment in value by making a comparison of the current and projected operating cash flows of the asset over its remaining useful life, on an undiscounted

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - Summary of Significant Accounting Policies (continued)

Impairment of Long-lived Assets (continued)

basis, to the carrying amount of the asset. Such carrying amounts would be adjusted, if necessary, to reflect an impairment in the value of the assets. If the operation is determined to be unable to recover the carrying amount of its assets, the long-lived assets are written down to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. There were no impairment losses in 2021.

Endowment Fund

The Organization's beneficial interest in a designated endowment fund ("fund") is recognized as an asset and board-designated net assets on the statement of financial position. Investment income and changes in the value of the fund are recognized in the statement of activities, and distributions received from the fund are recorded as decreases in the endowment on the statement of financial position (NOTE 8).

Revenue

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contract revenue is recognized in accordance with generally accepted accounting principles in the United States of America, when performance obligations are satisfied, as described below.

Contributions are recognized when cash or an unconditional promise to give is received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the new revenue recognition standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Our contracts typically have one performance obligation, which is providing nature programs to customers. For these contracts, we will allocate transaction prices to the performance obligation using its best estimate of the standalone selling price of each distinct good or service in the contract.

The primary method used to estimate standalone selling price is the expected cost plus a margin approach, which forecasts the expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct service.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
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NOTE 1 - Summary of Significant Accounting Policies (continued)

Performance Obligations Satisfied at a Point in Time

All of our performance obligations are satisfied at a point and time, at which revenue is recognized. Upon fulfillment of the performance obligation, the customer is provided an invoice demonstrating transfer of control to the customer. We believe that point in time recognition remains appropriate for this segment and will continue to recognize revenues upon completion of the performance obligation and issuance of an invoice.

Special Events

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Proceeds received are recorded as special events revenue as the events occur in the accompanying statement of activities and changes in net assets.

In-Kind Contributions

In-kind contributions consist of durable medical equipment and other supplies which are recorded at its fair value at the date of donation as revenue. When an item of donated equipment is distributed to an individual in need, an expense is recorded at an amount equal to the original revenue recorded.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. While most costs have been directly assigned to a functional category, certain costs have been allocated among program services and supporting services. Such allocations are determined by management on an equitable basis. Expenses that are allocated consist primarily of payroll expenses, which are allocated based on time and effort. General and administrative expenses and other indirect costs that cannot be specifically identified with any one program are allocated based on a percentage of direct and directly allocable expenses for that particular program.

Income taxes

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying consolidated financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

Investments

Investments in debt and equity securities with readily determinable market values are recorded at fair value. Unrealized and realized gains and losses on these investments are reported in the statement of activities. Securities are generally held in custodial investment accounts administered by a financial institution (NOTE 6). Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on the fair value of the investment as of the trade date and are recorded in the statement of activities in the period for which the securities are sold. Interest and dividends are recorded when earned.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
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JUNE 30, 2021

NOTE 2 - Availability and Liquidity

The Organization has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization considers general expenditures to be all expenditures related to its ongoing activities of achieving its mission. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending to address liquidity concerns and ask the Board to reassess current Board restrictions.

Unrestricted cash	\$ 179,963
Grant receivable	<u>82,231</u>
Assets available within one year	<u>\$ 262,194</u>

The Organization has a \$145,000, line of credit which is repayable on demand, with a maturity date of July 9, 2022. As of June 30, 2021, the outstanding balance on the line was \$0.

NOTE 3 - Concentrations of Credit Risk

The Organization maintains its cash balances at various financial institutions. 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. The Organization has suffered no losses in connection with its banking activities.

As of the year ended June 30, 2021, 85% of our total payables were due to four vendors and 100% of our total grant receivables were due from the State of Tennessee.

As of the year ended June 30, 2021, 52% of our total revenue were from the State of Tennessee.

NOTE 4 - Donated Equipment

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 \$281,109, for the year ended June 30, 2021. At June 30, 2021, the value of equipment held by the Organization was \$127,911 and was reported as inventory on the accompanying statement of financial position.

As part of this program, the Organization provides the equipment to people in need throughout Tennessee. During the year ended June 30, 2021, the Organization provided equipment with estimated fair values amounting to \$426,120, which is reported as in-kind expense on the accompanying statement of functional expenses.

NOTE 5 - Property and Equipment

Property and equipment consisted of the following at June 30, 2021:

Buildings and improvements	\$ 721,524
Furniture and equipment	37,062
Vehicles	<u>20,430</u>
Total property and equipment	779,016
Less: accumulated depreciation	<u>(317,270)</u>
Property and Equipment, Net	<u>\$ 461,746</u>

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
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NOTE 6 - Fair Value Measurements

U.S. GAAP provides a framework for measuring fair value. To increase consistency and comparability in fair value measurements, the framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the primary or most advantageous market for the asset or liability in an orderly transaction between market participants.

The framework uses a three-level valuation hierarchy based on observable and non-observable inputs. Observable inputs consist of data obtained from independent sources. Non-observable inputs reflect industry assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

Assets classified as Level 1 have fair values based on unadjusted quoted market prices for identical instruments in active markets. Assets and liabilities classified as Level 2 have fair values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model derived valuations whose inputs are observable. Assets and liabilities classified as Level 3 have fair values based on value drivers that are unobservable.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021.

Bond funds, equity funds, and exchange traded funds - Valued at the closing price reported on an active market on which the individual securities are traded and at the net asset value (NAV) of shares held at year end.

Beneficial interest in charitable remainder trusts – The beneficial interest in charitable remainder trusts ("Trusts") is a non-endowment voluntary investment holding. The value is based on the value of the underlying assets held. Those assets are valued using fair value on a recurring basis using significant unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At June 30, 2021, fair values are summarized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bond Funds	\$ 70,425	\$ -	\$ -	\$ 70,425
Equity Funds	85,942	-	-	85,942
Exchange Traded Funds	145,044	-	-	145,044
Beneficial interest in charitable remainder trusts	-	-	1,484,645	1,484,645
Total	<u>\$ 301,411</u>	<u>\$ -</u>	<u>\$ 1,484,645</u>	<u>\$ 1,786,056</u>

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
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NOTE 6 - Fair Value Measurements (continued)

The annual activity of the Trusts is as follows:

Beginning balance	\$ 1,201,323
Gain from investments	<u>283,322</u>
Ending Balance	<u>\$ 1,484,645</u>

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible those changes in fair value of investments will occur in the near term and that such changes could significantly affect the financial statements.

There were no transfers between levels of investments during the year ended June 30, 2021.

NOTE 7 - Beneficial Interest in Charitable Remainder Trusts

As of June 30, 2021, the Organization is a residual beneficiary in two charitable remainder trusts, created upon the death of the trust settlor. The income beneficiary of each is to receive, first from income and to the extent that income is insufficient, from principal, a total annuity each year equal to 5% and 6%, respectively, of the net fair market value of each trust's assets (NOTE 6).

Upon the death of the income beneficiary for each trust, the remaining principal is to be distributed to the Organization, equal to 100% and 33.33%, respectively. The Organization does not control the assets of the trusts, and the expected future cash flow of each, which represents the Organization's share of the fair market value of the trusts' principal, totaled \$1,385,820 and \$98,803, respectively, at June 30, 2021. These amounts are reported in aggregate on the accompanying statement of financial position. Changes in the value of the trusts for the year ended June 30, 2021, have been reported in the statement of activities as an increase in net assets with donor restrictions.

NOTE 8 - Board-Designated Endowment Fund

The Organization has a beneficial interest in the Martin McGrath Endowment Fund (the "Fund"), a board-designated perpetual endowment fund for general purpose of the Organization's future projects which are classified as designated net assets. Amounts in the Fund are held within a managed investment account at a financial institution (NOTE 6). Upon request by the Organization's Board of Directors, income from the Fund representing a 5% annual return may be distributed to the Organization.

As of June 30, 2021, the funds are shown on the statement of financial position as follows:

Cash portion of board-designated endowment	\$ 16,860
Board-designated endowment	<u>301,411</u>
Total board-designated endowment	<u>\$ 318,271</u>

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
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NOTE 8 - Board-Designated Endowment Fund (continued)

The following is a schedule of changes in the Organization's beneficial interest in this Fund for the year ended June 30, 2021:

Balance - July 1, 2020	\$ 219,949
Additions	50,000
Change in value of interest in endowment fund investment income, net	59,319
Withdrawals	<u>(10,997)</u>
Ending Balance - June 30, 2021	<u>\$ 318,271</u>

NOTE 9 - Paycheck Protection Program Loan Payable (PPP)

In May 2020, the Organization received a First Draw PPP loan from Pinnacle Bank in the amount of \$41,835 under the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). On August 4, 2021, our First Draw PPP loan was fully forgiven.

In January 2021, the Organization received a Second Draw PPP loan from Pinnacle Bank in the amount of \$43,220 under the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). On February 16, 2022, our Second Draw PPP loan was fully forgiven.

At June 30, 2021 these loans were recorded as non-current liabilities on the statement of financial position.

NOTE 10 - Long-Term Debts

On July 2, 2020, the Organization received proceeds (the "EIDL Loan") from the U.S. Small Business Administration ("SBA") in the amount of \$150,000. The EIDL Loan matures in thirty years on June 30, 2050, bears interest at a rate of 2.75% per year. Monthly payments of principal and interest are deferred until December 31, 2022, ("deferment period") and interest will continue to accrue during this deferment period.

On January 7, 2008, the Organization entered into a \$311,285 term loan with Southeast Financial Credit Union. Payments of \$939 are due monthly, with all outstanding principal and interest due September 20, 2024. These payments include interest at a fixed rate per annum based on the 5-year Constant Maturity Treasury (CMT) plus 300 basis points for the first five years, then a one-time rate change to the then 5-year CMT, plus 300 basis points, fixed for the remaining five years of the term (6% rate ceiling). The interest rate was 4.75% at June 30, 2021. The term loan is secured by substantially all assets of the Organization.

At June 30, 2021, long-term debt consists of the following:

Southeast Financial Credit Union	\$ 139,054
EIDL Loan	<u>150,000</u>
	289,054
Less: Current portion	(4,901)
Less: Loan costs, net	<u>(5,771)</u>
Long-term debt, net of current installments	<u>\$ 278,382</u>

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NOTE 10 - Long-Term Debts (continued)

Future maturities of long-term debt as of June 30, 2021, are approximately as follows:

2022	\$ 4,901
2023	7,099
2024	133,309
2025	4,114
2026	4,229
Thereafter	135,402
	<u>\$ 289,054</u>

NOTE 11 - Net Assets

The Organization is the remainder beneficiary of two charitable remainder trusts. Because these assets are subject to a time restriction, being the death of each respective trust's donor, the assets are classified as net assets with donor restrictions.

Additionally, 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. Periodically the family makes restricted donations to be used for medical equipment, therapy, and other needs of the qualified applicants. The West End Home Foundation funds can be used for services to senior citizens in the Home Access and Equipment Exchange Programs. The Community Foundation of Middle Tennessee grant was for the Equipment Exchange Program. Due to these purpose restrictions, the assets are classified as net assets with donor restrictions.

Net assets consisted of the following at June 30, 2021:

Net Assets Without Donor Restrictions	
Undesignated	\$ 447,396
Board designated	318,271
Total Net Assets Without Donor Restrictions	<u>765,667</u>
Net Assets With Donor Restrictions	
Beneficial interest in charitable remainder trusts	1,484,645
Burch fund	19,960
West End Home Foundation	20,000
Community Foundation of Middle Tennessee	3,800
Total Net Assets With Donor Restrictions	<u>1,528,405</u>
Total Net Assets	<u>\$ 2,294,072</u>

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NOTE 12 - New Pronouncements

In February 2016, FASB issued Accounting Standards Update 2016-02, Leases (Topic 842). The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2021, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 13 - Subsequent Events

The Organization evaluated subsequent events through May 6, 2022, the date the financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.