

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2019

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

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INDEPENDENT AUDITORS' REPORT

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

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, 2019, and the related statements of activities, cash flows, and functional expenses 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 of 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, 2019, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the Organization is party to a fundraising event in which they do not have control or oversight of the event's bank account. Consequently, we were unable to perform audit procedures related to the expenses or internal control matters related to the event. As the total related expenses are considered immaterial to the financial statements overall, our audit opinion is not modified with respect to this matter.

CPA Consulting Group, PLLC

Nashville, Tennessee
October 29, 2019

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

CURRENT ASSETS

Cash	\$ 48,570
Prepaid expenses	2,501
Grants receivable	69,791
Inventory	<u>374,565</u>

Total current assets 495,427

PROPERTY AND EQUIPMENT, NET 262,719

OTHER ASSETS

Beneficial interest in charitable remainder trust	1,104,565
Endowments	208,134
Loan costs, less accumulated amortization of \$502	520
Cash surrender value of life insurance	<u>5,055</u>

Total other assets 1,318,274

Total assets \$ 2,076,420

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued wages	3,079
Accrued vacation	23,847
Current portion of long-term debt	3,716
Deferred revenue	<u>4,757</u>

Total current liabilities 35,399

NOTE PAYABLE, NET OF CURRENT PORTION 76,204

Total liabilities 111,603

NET ASSETS

Unrestricted net assets	
Operating	620,717
Board designated	208,134
Temporarily restricted net assets	<u>1,135,965</u>

Total net assets 1,964,816

Total liabilities and net assets \$ 2,076,420

See accompanying notes to financial statements and independent auditors' report.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions and grants	\$ 75,424	\$ 651,665	\$ 727,089
Contributions - change in value of CRT	-	(77,915)	(77,915)
In-kind donations	720,369	-	720,369
Investment return	89	-	89
Special events	97,170	-	97,170
Net assets released from restriction	<u>633,225</u>	<u>(633,225)</u>	<u>-</u>
Total revenue and other support	<u>1,526,277</u>	<u>(59,475)</u>	<u>1,466,801</u>
EXPENSES			
Program services	1,432,496	-	1,432,496
Management and general	55,994	-	55,994
Fundraising	<u>24,495</u>	<u>-</u>	<u>24,495</u>
Total expenses	<u>1,512,985</u>	<u>-</u>	<u>1,512,985</u>
CHANGE IN NET ASSETS	<u>13,292</u>	<u>(59,475)</u>	<u>(46,185)</u>
NET ASSETS, BEGINNING OF YEAR	<u>818,559</u>	<u>1,192,440</u>	<u>2,010,999</u>
NET ASSETS, END OF YEAR	<u><u>\$ 831,851</u></u>	<u><u>\$ 1,132,965</u></u>	<u><u>\$ 1,964,816</u></u>

See accompanying notes to financial statements and independent auditors' report.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	PROGRAM SERVICES						SUPPORTING SERVICES			
	<u>Educational Travel</u>	<u>Equipment Exchange</u>	<u>Family Support</u>	<u>Home Access</u>	<u>Other Programs</u>	<u>Total Program Service</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102	\$ -	\$ 102	\$ 102
Bank charges	-	-	-	-	-	-	100	-	100	100
Client assistance	50,572	-	248,667	101,070	400	400,709	-	-	-	400,709
Depreciation	-	-	-	-	-	-	13,649	-	13,649	13,649
Dues and fees	370	2,367	1,617	2,787	1,285	8,426	591	-	591	9,017
Food	11	72	49	78	13	223	18	-	18	241
In-kind expense	-	678,811	-	-	-	678,811	-	-	-	678,811
Insurance	397	2,532	1,703	2,727	449	7,808	6,121	-	6,121	13,929
Interest	7	47	31	50	8	143	3,818	-	3,818	3,961
Internet	144	917	617	988	173	2,839	229	-	229	3,068
Equipment	7	-	-	-	-	-	-	-	-	79
Facility	8	-	-	-	-	-	-	-	-	159
Mileage and travel	-	-	-	243	-	243	-	-	-	243
Payroll	9,881	60,139	41,847	67,617	11,938	191,422	21,105	-	21,105	212,527
Postage	50	319	214	343	56	982	78	-	78	1,060
Professional services	701	10,620	2,944	4,733	793	19,791	1,118	-	1,118	20,909
Gain/Loss on sale of asset	-	-	-	-	-	-	7,822	-	7,822	7,822
Special events	-	-	-	-	-	-	-	24,495	24,495	24,495
Training	9,811	-	-	-	-	9,811	-	-	-	9,811
Supplies	217	2,103	930	94,027	245	97,522	346	-	346	97,868
Telephone	199	1,273	856	1,371	226	3,925	318	-	318	4,243
Utilities	348	2,325	1,448	5,113	394	9,628	555	-	555	10,183
Total	<u>\$ 72,723</u>	<u>\$ 761,642</u>	<u>\$ 300,948</u>	<u>\$ 281,188</u>	<u>\$ 15,996</u>	<u>\$ 1,432,497</u>	<u>\$ 55,994</u>	<u>\$ 24,495</u>	<u>\$ 80,489</u>	<u>\$ 1,512,985</u>

See accompanying notes to financial statements and independent auditors' report.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ (46,185)
Adjustments to reconcile decrease in net assets to net cash flows used by operating activities:	
Amortization	102
Depreciation	13,649
Change in value of beneficial interest in charitable remainder trust	77,915
Change in value of cash surrender value of life insurance	156
Net in-kind contributions	(41,556)
Loss on sale of property	7,822
(Increase) decrease in operating assets:	
Prepaid expenses	5,332
Grants receivable	8,639
Endowments	(8,752)
Increase (decrease) in operating liabilities:	
Accounts payable	(13,084)
Accrued wages	35
Accrued vacation	5,014
Deferred revenue	<u>(8,543)</u>

NET CASH USED BY OPERATING ACTIVITIES 544

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of assets	<u>4,779</u>
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NET CASH USED BY INVESTING ACTIVITIES 4,779

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on note payable	<u>(3,548)</u>
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NET CASH USED BY FINANCING ACTIVITIES (3,548)

NET INCREASE IN CASH 1,775

BEGINNING CASH 46,795

ENDING CASH \$ 48,570

See accompanying notes to financial statements and independent auditors' report.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General 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.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

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 those estimates.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,500. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight-line method over the estimated useful life of the asset ranging from 5 – 40 years. Expenditures for repairs and maintenance are expensed as incurred.

Inventory

Inventory consists of donated equipment to be used in the Equipment Exchange program. It is stated at estimated fair value based on its condition.

Intangible Assets

Intangible assets include loan costs on a refinance of the building loan and are amortized over 120 months. Total amortization expense of intangible assets for the year ended June 30, 2019, was \$102.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the programs and support services have been summarized on a functional basis in the statement of activities and statement of functional expenses. The statement of functional expenses has been prepared by allocating expenses between programs and supporting services, based on actual or estimated time employees spend on each function.

Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments. The fair value of the note payable approximates the carrying amount and is estimated based on current rates offered to the Organization.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence or nature of any donor restrictions.

Grants Receivable

The Organization receives several grants from the State of Tennessee. Most of these grants require submission of reimbursement requests to the granting agency, only after the expenditure of the funds. Grant revenue is recognized as these expenses are incurred. Grants receivable totaled \$69,791 at June 30, 2019.

The Organization also receives a grant from the Tennessee Housing Development Agency ("THDA"). The Organization subcontracts for wheelchair ramps to be built and then requests payment from THDA for these ramps. It is the Organization's accounting policy not to submit the request to the THDA until the subcontractor has fulfilled its obligations. The Organization recognizes revenue from this grant when the reimbursement request is sent to the THDA.

Income Taxes

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, Returns of Organization Exempt from Income Tax, for the years ending June 30, 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require additional adjustment or disclosure to the accompanying financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Management has evaluated subsequent events through October 29, 2019, the date the financial statements were available to be issued.

Recent Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions. The ASU also changes the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Organization's year ending June 30, 2019 and there after and must be applied on a retrospective basis. The Organization adopted the ASU effective July 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at several different banks. 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. At June 30, 2019, the Organization had no amounts in excess of FDIC insured limits.

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

The Organization is the remainder beneficiary of a charitable remainder trust. Because the assets are subject to a time restriction, the assets are classified as net assets with donor restrictions.

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. Each year the family makes a restricted donation to be used for medical equipment, therapy, and other needs of the qualified applicants. Total net assets with donor restrictions related to this fund at June 30, 2019, were \$13,900.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2019:

Buildings	\$ 363,648
Building improvements	117,264
Vehicles	20,430
Furniture and equipment	<u>37,062</u>
	538,404
Less accumulated depreciation	<u>(275,685)</u>
	<u><u>\$ 262,719</u></u>

Depreciation expense for the year ended June 30, 2019, was \$13,649.

NOTE 5 – LONG-TERM DEBT

The Organization has a note payable to Southeast Financial with an outstanding balance of \$79,920 at June 30, 2019. The note is secured by the Organization's main office. The loan is payable in monthly installments consisting of principal and interest, based on a variable rate between 4.65% and 6.0% per annum, and is scheduled to mature on August 7, 2024.

Future principal payments under note payable obligations as of June 30, 2019, for each of the remaining five years and in the aggregate thereafter are as follows:

<u>Years Ending June 30:</u>	
2020	3,716
2021	3,893
2022	4,078
2023	4,272
Thereafter	<u>63,961</u>
	<u><u>\$ 79,920</u></u>

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 – DONATED PROPERTY

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 \$720,369 for the year ended June 30, 2019. At June 30, 2019, the value of equipment held by the Organization was \$374,565.

The Organization also received in-kind donations of various equipment to be used in the operations of the Organization. These donated items were recorded at their estimated fair values. At June 30, 2019, the value of the equipment held by the Organization was \$11,612.

NOTE 7 – CASH FLOW INFORMATION

There were no income taxes paid. Total interest paid during the year ended June 30, 2019 was \$3,962.

NOTE 8 – EMPLOYEE BENEFIT PLAN

On February 1, 2008, the Organization adopted a 401(k) plan covering substantially all of its employees. Employees may contribute up to the maximum allowable under the Internal Revenue Code. Under the plan, the Organization may make discretionary matching contributions. The Organization did not make a matching contribution for the year ended June 30, 2019.

NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization estimates the fair value for the contribution receivable from a beneficial interest in a charitable remainder unitrust by using an income approach based on calculating the present value of the future distribution expected to be received. This approach takes into account the Organization's determination of an appropriate risk-adjusted discount rate (2.8% at June 30, 2019), expected appreciation of the unitrust's investments, and life expectancy information published in the Annuity 2018 Mortality Table. The Organization remeasures the fair value of its beneficial interest in a charitable remainder trust annually and adjusts the measurement inputs based on statements received from the trustee, market conditions, and other relevant data.

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the year ended June 30, 2019. Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Contribution receivable-beneficial interest in charitable remainder unitrust:

July 1, 2018	\$ 1,182,480
Change in value of split-interest agreement	<u>(77,915)</u>
June 30, 2019	<u>\$ 1,104,565</u>

NOTE 10 – BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

The Organization has been named a remainder beneficiary of a charitable remainder trust, created upon the death of the trust settlor. The income beneficiary is to receive, first from income and, to the extent that income is insufficient, from principal, a total annuity each year equal to 5% of the net fair market value of the trust assets. Upon the death of the income beneficiary, the remaining principal is to be distributed to the Organization. A noncurrent asset for the remainder interest in the trust has been recognized at the present value of the expected future cash flow payments discounted at a rate of 2.8%. The expected future cash flow of \$1,104,565 represents the Organization's share of the fair market value of the trust principal at June 30, 2019. Changes in the value of the trust have been reported in the statement of activities as an increase in net assets with donor restrictions.

NOTE 11 – LINE OF CREDIT

The Organization has a line of credit with Southeast Financial Credit Union of \$145,000. At June 30, 2019 there was no outstanding balance on the line of credit. The interest rate is fixed at 6.75%. The line is collateralized by the building owned by United Cerebral Palsy of Middle Tennessee, Inc. The line matured on July 9, 2019.

NOTE 12 – FUNDRAISING EXPENSES

One of the Organization's fundraising events is managed by an unrelated committee specifically organized for this event, who controls the event's bank account. Accordingly, the Organization has no control or oversight of disbursements from this account. During the year ended June 30, 2019, reported expenses related to this event totaled \$20,005. This amount was included in the "Fundraising" expense line on the Statement of Activities.

NOTE 13 – BOARD DESIGNATED FUNDS

The Organization has earmarked certain net assets without donor restrictions for a specific purpose. These net assets have no donor-imposed restrictions and have been appropriately classified as a sub-category of net assets without donor restrictions, "Board Designated". This includes the Martin McGrath Endowment Fund, with the assets being held in a separate account designated by the Organization's Board of Directors.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 – LIQUIDITY OF ORGANIZATION

At June 30, 2019, the Organization had \$48,570 cash and equivalents available to meet needs for general expenditures. Accordingly, all funds without restrictions are available to meet the cash needs of the Organization for the next 12 months. As of the date of this report, the Organization does not have a specific policy for how much cash needs to be in reserve at any given point, nor does it have a policy as to what can be done with any surplus funds. The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Organization are expected to be met on a monthly basis from its various sources of support as reported on its statement of activities.