

**UNITED CEREBRAL PALSY OF MIDDLE  
TENNESSEE, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2012**

**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, 2012, and the related statement of activities 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 audits. We conducted our audits 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 assessment, 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, 2012, 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.

*CPA Consulting Group, PLLC*

Nashville, Tennessee  
May 24, 2013

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2012**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 139,674
Accounts receivable	2,895
Grants receivable	8,615
Inventory	259,145

**TOTAL CURRENT ASSETS**

410,329

**PROPERTY AND EQUIPMENT – NET**

565,060

**OTHER ASSETS**

Beneficial interest in charitable remainder trust	943,171
Loan costs, less accumulated amortization of \$451	708
Cash value - life insurance	5,641

**TOTAL OTHER ASSETS**

949,520

**TOTAL ASSETS**

\$ 1,924,909

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 26,576
Accrued wages	3,387
Accrued vacation	23,849
Payroll liabilities	2,352
Current portion of long term debt	1,507

**TOTAL CURRENT LIABILITIES**

57,671

**LONG-TERM LIABILITIES**

Note payable	97,964
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**TOTAL LONG-TERM LIABILITIES**

97,964

**TOTAL LIABILITIES**

155,635

**NET ASSETS**

Unrestricted	784,112
Temporarily Restricted	41,991
Permanently Restricted	943,171

**TOTAL NET ASSETS**

1,769,274

**TOTAL LIABILITIES AND NET ASSETS**

\$ 1,924,909

See accompanying notes to financial statements and independent auditor's report.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>				
Contributions & Grants	\$ 594,931	\$ 41,991	\$ -	\$ 636,922
In-kind Donations	528,512	-	-	528,512
Investment income	753	-	-	753
Rental income	19,820	-	-	19,820
Special Events Income	121,891	-	-	121,891
Net assets released from restriction	<u>16,546</u>	<u>(16,546)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<u>1,282,453</u>	<u>25,445</u>	<u>-</u>	<u>1,307,898</u>
<b>EXPENSES</b>				
Program services	1,280,154	-	-	1,280,154
Management & General Expenses	59,712	-	-	59,712
Special Events Direct Expenses	41,155			41,155
Rental Property Expenses	<u>14,406</u>	<u></u>	<u></u>	<u>14,406</u>
<b>TOTAL EXPENSES</b>	<u>1,395,427</u>	<u>-</u>	<u>-</u>	<u>1,395,427</u>
<b>CHANGE IN NET ASSETS</b>	(112,974)	25,445	-	(87,529)
<b>NET ASSETS:</b>				
<b>BEGINNING OF YEAR</b>	897,086	16,546	861,045	1,774,677
Change in Value of Split- Interest Agreement	<u>-</u>	<u>-</u>	<u>82,126</u>	<u>82,126</u>
<b>END OF YEAR</b>	<u>\$ 784,112</u>	<u>\$ 41,991</u>	<u>\$ 943,171</u>	<u>\$ 1,769,274</u>

See accompanying notes to financial statements and independent auditor's report.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	PROGRAM SERVICES							SUPPORTING SERVICES				
	All Together Kids	Educational Travel	Equipment Exchange	Family Support	Home Access	Other Programs	Total Program Services	Management & General	Fundraising	Rental Property	Total Supporting Services	Total Expenses
Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129	\$ -	\$ -	\$ 129	\$ 129
Bank charges	-	-	-	-	-	-	-	1,013	-	-	1,013	1,013
Client Assistance	12,827	24,989	600	250,405	166,781	4,089	459,691	-	-	-	-	459,691
Depreciation	251	333	2,401	2,094	2,455	1,795	9,329	1,500	283	6,128	7,911	17,240
Dues & Fees	222	784	2,830	721	2,131	2,019	8,707	1,354	448		1,802	10,509
Taxes, Fees and Licenses	-	-	-	-	-	-	-	4,304	-	-	4,304	4,304
Food	4	15	53	12	40	59	183	15	107	-	122	305
In-Kind Donations	-	-	482,544	-	-	-	482,544	-	-	-	-	482,544
HSA	-	-	-	-	-	-	-	300	-	-	300	300
Insurance	748	2,647	9,552	5,826	7,193	6,557	32,523	2,683	1,548		4,231	36,754
Interest	-	-	-	-	-	-	-	6,766	-	-	6,766	6,766
Internet	31	110	397	247	299	273	1,357	110	63	-	173	1,530
Management & Leasing Fees	-	-	-	-	-	-	-	-	-	1,773	1,773	1,773
Mileage and Travel	-	-	683	17	1,303	163	2,166	-	636	-	636	2,802
Payroll Expenses	5,801	7,701	36,194	61,169	56,668	38,887	206,420	39,180	11,728	-	50,908	257,328
Postage	18	63	228	775	170	153	1,407	63	86	-	149	1,556
Printing	-	-	-	-	-	-	-	-	160	-	160	160
Professional Services	189	668	7,512	1,526	1,817	9,031	20,743	568	382	-	950	21,693
Property Tax	-	-	-	-	-	-	-	-	-	3,372	3,372	3,372
Repairs & Maintenance	-	-	-	-	-	-	-	-	-	3,133	3,133	3,134
Supplies	105	373	3,000	869	38,624	993	43,964	391	25,318	-	25,709	69,673
Telephone	110	387	1,398	2,790	1,053	960	6,698	387	221	-	608	7,306
Utilities	87	305	1,102	1,344	830	754	4,422	949	175	-	1,124	5,546
<b>Total Program and Supporting Services</b>	<u>\$ 20,393</u>	<u>\$ 38,375</u>	<u>\$ 548,494</u>	<u>\$ 327,795</u>	<u>\$279,364</u>	<u>\$ 65,733</u>	<u>\$1,280,154</u>	<u>\$ 59,712</u>	<u>\$ 41,155</u>	<u>\$ 14,406</u>	<u>\$ 115,273</u>	<u>\$ 1,395,427</u>

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Decrease in net assets	\$ (87,529)
Adjustments to reconcile increase in net assets to net cash flows provided by operating activities:	
Amortization	129
Depreciation	17,240
(Increase) decrease in operating assets	
Accounts receivable	22,865
Grants receivable	9,672
Inventory	(45,970)
Increase (decrease) in operating liabilities	
Accounts payable	13,961
Accrued expenses	858
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(68,774)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

-

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal payments on note payable	<u>(1,409)</u>
<b>NET USED IN FINANCING ACTIVITIES</b>	<u>(1,409)</u>

**NET DECREASE IN CASH** (70,183)

**BEGINNING CASH** 209,857

**ENDING CASH** \$ 139,674

See accompanying notes to financial statements and independent auditor's report.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General and Nature of Activities**

United Cerebral Palsy of Middle Tennessee, Inc. (UCP) was incorporated under the laws of the State of Tennessee as a nonprofit organization 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. At June 30, 2012, the Organization had no 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 UCP's policy to capitalize property and equipment over \$1,500. Lesser amounts are expensed. Purchased property and equipment is 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 charged to expense 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 at the date of the donation.



**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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, 2012 was \$129.

**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.

**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 unrestricted, temporarily restricted, or permanently restricted net assets 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 before funds are disbursed. Grant revenue is recognized as these expenses are incurred. Grants receivable totaled \$8,615 at June 30, 2012.

UCP also receives a grant from the Tennessee Housing Development Agency. The Organization subcontracts for wheelchair ramps to be built and then requests payment from THDA for these ramps. The subcontractor must submit to the Organization a package of paperwork after the ramp is complete. It is the Organization's accounting policy not to submit the request to the State until the subcontractor has fulfilled its paperwork obligation. On occasion, paperwork has been submitted after the ramp is complete. Because of this unique policy, the Organization recognizes revenue from this grant when the reimbursement request is sent to the State.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income Taxes**

The Organization is a not-for-profit 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, Return of Organization Exempt from Income Tax, for the years ending June 30, 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

**Subsequent Events**

Management has evaluated subsequent events through May 24, 2013, the date the financial statements were available to be issued.

**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, 2012, the Company had no amounts in excess of FDIC insured limits.

The organization has state contracts which represent a significant source of revenue, amounting to approximately \$495,859 during the year ended June 30, 2012. Loss of any of these contracts would result in a loss of the programs they support.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable is comprised of \$1,045 due to the organization from an outside party who hosts a fundraiser benefitting the organization and \$1,850 for June 2012 rental income received in July 2012.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 4 – TEMPORARILY RESTRICTED ASSETS**

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 temporarily restricted net assets related to this fund at June 30, 2012 are \$9,380.

UCP received a \$5,026 grant to be used for computer and technology purchases. The Organization's goal is to transition their computers and telephone systems to a unified communications and technology platform utilizing cloud based and VOIP technologies. Total temporarily restricted net assets related to this grant at June 30, 2012 are \$5,026.

UCP received \$27,585 related to the THDA grant and All Together Kids grant during the year ended June 30, 2012 that had not been expended as of June 30, 2012. Those grant funds were subsequently paid out in July of 2012.

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2012:

Buildings	\$ 608,749
Building Improvements	117,264
Vehicles	10,717
Furniture & Equipment	<u>35,162</u>
Less: Accumulated depreciation	<u>(206,832)</u>
Total Property and Equipment	<u><u>\$ 565,060</u></u>

Depreciation expense for the year ended June 30, 2012 is \$17,240.

**NOTE 6 – LONG-TERM DEBT**

The Organization has a note payable to Southeast Financial with an outstanding balance of \$99,471 at June 30, 2012. The note is secured by a building which is the facility from which UCP operates. The loan is payable in monthly installments of \$681 including interest at 6.75% per annum, and is scheduled to mature on January 7, 2018.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

Future principal payments under note payable obligations as of June 30, 2012 for each of the remaining years and in the aggregate are as follows:

Year Ending:	Amount
June 30, 2013	1,507
2014	1,612
2015	1,724
2016	1,844
Thereafter	92,784
Total	<u>\$ 99,471</u>

**NOTE 7 - DONATED PROPERTY**

UCP 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 \$528,512 for the year ended June 30, 2012. At June 30, 2012 there was \$259,145 of donated equipment listed as Inventory on the balance sheet for the Equipment Exchange program.

UCP received two parcels of residential rental property through a bequest from the Estate of William Porter in October 2010. The properties were recorded as contribution revenue at their fair market value on the date of the donation. The total value of the properties was \$245,100 and is part of the “Buildings” total in Property and Equipment (See Note 5). One of the properties was sold in May 2013 (See Note 12).

The Organization receives rental income from these properties which is reported as “Rental Income” on the Statement of Activities. A property management company manages the properties and distributes the rental income less property management fees to UCP. Rental expenses for the property are reported on the Statement of Functional Expenses. There are no formal lease agreements for these properties, and the lease income is currently on a month to month basis.

**NOTE 8 - CASH FLOW INFORMATION**

There were no income taxes paid. During the year, total interest paid was \$6,767.

**UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 9 – 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, 2012.

**NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts reported in the statement of financial position for cash and cash equivalents, receivables, inventory, and accounts payable approximate their fair value.

**NOTE 11—PERMANENTLY RESTRICTED ASSETS**

The Organization has been named a remainder beneficiary of a charitable remainder trust, which was created upon the death of the trust settlor. An 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 a 1% 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 3.4%. The expected future cash flow of \$943,171 represents the Organization's share of the fair market value of the trust principal at June 30, 2012. Changes in the value of the trust have been reported in the statement of activities as an increase in permanently restricted net assets.

**NOTE 12 – SUBSEQUENT EVENT**

UCP was awarded a \$293,862 grant in March 2013 for the fiscal year July 1, 2013 – June 30, 2014 to be used to provide a Family Support program designed to assist families to care for their family members at home, to emphasize community living, and to enable families to enjoy typical lifestyles.

UCP was awarded a \$300,000 grant in October 2012 for the period from October 1, 2012 – September 30, 2015 to be used for the construction of wheelchair ramps and interior housing modifications for disabled low income families. The Organization has made draws of \$48,112 on the grant as of the date of the financial statements.

UCP has collected \$214,060 in other funds related to existing grants since June 30, 2012 through the date of the financial statements.

One of the residential rental properties received through a bequest from the Estate of William Porter in October 2010 was sold in May 2013. The property sold for \$72,975 and after commissions and fees were deducted, UCP received \$65,623.