

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2017

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, 2017, 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, 2017, 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
December 6, 2017

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 99,837
Undeposited funds	10,000
Prepaid expenses	10,973
Grants receivable	87,900
Inventory	<u>274,085</u>

Total current assets 482,795

PROPERTY AND EQUIPMENT, NET 275,200

OTHER ASSETS

Beneficial interest in charitable remainder trust	1,143,029
Loan costs, less accumulated amortization of \$298	724
Cash surrender value of life insurance	<u>5,349</u>

Total other assets 1,149,102

Total assets \$ 1,907,097

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 65,197
Accrued wages	3,330
Accrued vacation	21,690
Current portion of long-term debt	3,387
Deferred revenue	<u>10,000</u>

Total current liabilities 103,604

NOTE PAYABLE, NET OF CURRENT PORTION 83,468

Total liabilities 187,072

NET ASSETS

Unrestricted net assets	539,935
Temporarily restricted net assets	<u>1,180,090</u>

Total net assets 1,720,025

Total liabilities and net assets \$ 1,907,097

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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Contributions and grants	\$ 107,598	\$ 585,770	\$ 693,368
Contributions - change in value of CRT	-	108,119	108,119
In-kind donations	786,332	-	786,332
Investment return	89	-	89
Special events	134,466	-	134,466
Net assets released from restriction	<u>577,765</u>	<u>(577,765)</u>	<u>-</u>
Total revenue and other support	<u>1,606,250</u>	<u>116,124</u>	<u>1,722,374</u>
EXPENSES			
Program services	1,549,701	-	1,549,701
Management and general	42,250	-	42,250
Fundraising	<u>46,326</u>	<u>-</u>	<u>46,326</u>
Total expenses	<u>1,638,277</u>	<u>-</u>	<u>1,638,277</u>
CHANGE IN NET ASSETS	<u>(32,027)</u>	<u>116,124</u>	<u>84,097</u>
NET ASSETS, BEGINNING OF YEAR	<u>571,962</u>	<u>1,063,966</u>	<u>1,635,928</u>
NET ASSETS, END OF YEAR	<u><u>\$ 539,935</u></u>	<u><u>\$ 1,180,090</u></u>	<u><u>\$ 1,720,025</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, 2017

	PROGRAM SERVICES						SUPPORTING SERVICES			
	Educational Travel	Equipment Exchange	Family Support	Home Access	Other Programs	Total Program Service	Management and General	Fundraising	Total Supporting Services	Total Expenses
Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102	\$ -	\$ 102	\$ 102
Bank Charges	7	43	-	50	29	129	16	19	35	164
Client assistance	63,439	378	253,774	112,534	-	430,125	-	-	-	430,125
Depreciation	-	-	-	-	-	-	11,112	-	11,112	11,112
Dues and Fees	430	2,600	8	3,099	1,709	7,846	973	12,002	12,975	20,821
Food	1	44	-	6	3	54	2	289	291	345
In-kind expense	-	790,164	-	-	-	790,164	-	-	-	790,164
Insurance	380	5,047	-	2,659	1,510	9,596	1,533	297	1,830	11,426
Interest	-	-	-	-	-	-	4,121	-	4,121	4,121
Internet	85	514	399	594	338	1,930	191	93	284	2,214
Mileage and Travel	-	-	359	7,613	31	8,003	-	200	200	8,203
Payroll	9,801	59,307	41,914	68,619	30,405	210,046	22,083	7,679	29,762	239,808
Postage	33	197	712	228	130	1,300	73	26	99	1,399
Professional Services	423	8,558	1,826	2,960	1,681	15,448	953	19,208	20,161	35,609
Repairs and Maintenance	-	-	-	120	-	120	-	-	-	120
Supplies	150	4,974	940	55,637	1,829	63,530	338	6,251	6,589	70,119
Telephone	92	556	2,005	643	365	3,661	207	72	279	3,940
Utilities	242	1,467	1,186	3,890	964	7,749	546	190	736	8,485
Total	\$ 75,083	\$ 873,849	\$ 303,123	\$ 258,652	\$ 38,994	\$ 1,549,701	\$ 42,250	\$ 46,326	\$ 88,576	\$ 1,638,277

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 84,097
Adjustments to reconcile decrease in net assets to net cash flows used by operating activities:	
Amortization	102
Depreciation	11,112
Change in value of beneficial interest in charitable remainder trust	(108,119)
Change in value of cash surrender value of life insurance	118
Net in-kind contributions	3,833
(Increase) decrease in operating assets:	
Prepaid expenses	(5,414)
Grants receivable	(38,227)
Undeposited funds	(10,000)
Increase (decrease) in operating liabilities:	
Accounts payable	58,184
Accrued wages	(763)
Accrued vacation	638
Deferred revenue	<u>10,000</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 5,561

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on note payable	<u>(3,233)</u>
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NET CASH USED BY FINANCING ACTIVITIES (3,233)

NET INCREASE IN CASH 2,328

BEGINNING CASH 97,509

ENDING CASH \$ 99,837

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

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, was \$102.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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 to the granting agency, only after the expenditure of the funds. Grant revenue is recognized as these expenses are incurred. Grants receivable totaled \$87,900 at June 30, 2017.

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, 2015, 2016, and 2017 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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Management has evaluated subsequent events through December 6, 2017, 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, 2017, the Organization had no amounts in excess of FDIC insured limits.

The Organization has state contracts which represent 80% of total cash revenue, amounting to approximately \$552,210 during the year ended June 30, 2017.

NOTE 3 – TEMPORARILY RESTRICTED ASSETS

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 temporarily restricted.

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, 2017, were \$9,996.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2017:

Buildings	\$ 363,648
Building improvements	117,264
Vehicles	10,717
Furniture and equipment	<u>35,163</u>
	526,792
Less accumulated depreciation	<u>(251,592)</u>
	<u><u>\$ 275,200</u></u>

Depreciation expense for the year ended June 30, 2017, was \$11,112.

NOTE 5 – LONG-TERM DEBT

The Organization has a note payable to Southeast Financial with an outstanding balance of \$86,855 at June 30, 2017. 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, 2017, for each of the remaining years and in the aggregate are as follows:

<u>Years Ending June 30:</u>	
2018	3,387
2019	3,548
2020	3,716
2021	3,893
2022	4,078
2023	4,272
2024	4,475
2025	<u>59,486</u>
	<u><u>\$ 86,855</u></u>

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 \$786,332 for the year ended June 30, 2017. At June 30, 2017, the value of equipment held by the Organization was \$274,085.

NOTE 7 – CASH FLOW INFORMATION

There were no income taxes paid. Total interest paid during the year ended June 30, 2017 was \$4,121.

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, 2017.

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 (2.4% at June 30, 2017), expected appreciation of the unitrust's investments, and life expectancy information published in the Annuity 2017 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, 2017. Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Contribution receivable-beneficial interest in charitable remainder unitrust:

July 1, 2016	\$ 1,034,910
Change in value in split-interest agreement	<u>108,119</u>
June 30, 2017	<u><u>\$ 1,143,029</u></u>

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 – BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

The Organization has been named a remainder beneficiary of a charitable remainder trust, which was 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 2.4%. The expected future cash flow of \$1,143,039 represents the Organization's share of the fair market value of the trust principal at June 30, 2017. Changes in the value of the trust have been reported in the statement of activities as an increase in temporarily restricted net assets.

NOTE 11 – LINE OF CREDIT

The Organization has a line of credit with Southeast Financial Credit Union in the amount of \$145,000. At June 30, 2017, there was no outstanding balance on the line of credit. The interest rate is a fixed rate of 6.75%. The line is collateralized by the building owned by United Cerebral Palsy of Middle Tennessee, Inc. The line matures on July 9, 2018.

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 does not have control or oversight of disbursements from this account. During the year ended June 30, 2017, reported expenses related to this event totaled \$18,234. This amount was included in the "Fundraising" expense line on the Statement of Activities.

NOTE 13 – SUBSEQUENT EVENT

Subsequent to year end, the Organization has received new grants totaling \$71,975 from various sources.