

MID-TN SUPPORTED LIVING, INC.

**FINANCIAL STATEMENTS
AND OTHER INFORMATION**

JUNE 30, 2017 AND 2016

MID-TN SUPPORTED LIVING, INC.

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Independent Auditor's Report

To the Board of Directors of
Mid-TN Supported Living, Inc.
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Mid-TN Supported Living, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.



To the Board of Directors of
Mid-TN Supported Living, Inc.

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 Mid-TN Supported Living, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of Mid-TN Supported Living, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mid-TN Supported Living, Inc.'s internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
December 13, 2017

MID-TN SUPPORTED LIVING, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2017	2016
		(as restated)
CURRENT ASSETS		
Cash	\$ 15,407	\$ 3,727
Accounts receivable - State of Tennessee	277,107	243,035
Accounts receivable - other	9,237	18,170
Other assets	-	3,089
Total current assets	301,751	268,021
FURNITURE AND EQUIPMENT		
Furniture and equipment	42,038	42,038
Less accumulated depreciation	(42,038)	(42,038)
Total furniture and equipment	-	-
Total assets	\$ 301,751	\$ 268,021

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 327	\$ 12,587
Accrued expenses	143,523	139,274
Revolving line-of-credit	93,964	100,000
Notes payable - current portion	63,750	27,467
Total current liabilities	301,564	279,328
LONG-TERM LIABILITIES		
Notes payable - noncurrent portion	112,367	49,833
Total liabilities	413,931	329,161
NET ASSETS (DEFICIT)		
Unrestricted	(112,180)	(61,140)
Total net assets (deficit)	(112,180)	(61,140)
Total liabilities and net assets	\$ 301,751	\$ 268,021

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
STATEMENTS OF ACTIVITIES

	Year Ended June 30,	
	2017	2016 (as restated)
Changes in unrestricted net assets:		
Support and revenue:		
State of Tennessee and other contract revenue	\$ 3,261,623	\$ 3,183,981
Contributions	80,196	3,888
Interest	7	8
Other	(165)	-
Total support and revenue	<u>3,341,661</u>	<u>3,187,877</u>
Expenses:		
Program Services:		
Support and client assistance	2,930,646	2,952,571
Management and general	462,055	430,224
Total expenses	<u>3,392,701</u>	<u>3,382,795</u>
Decrease in unrestricted net assets	(51,040)	(194,918)
Net (deficit) assets at beginning of year, as restated	<u>(61,140)</u>	<u>133,778</u>
Net (deficit) assets at end of year	<u>\$ (112,180)</u>	<u>\$ (61,140)</u>

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEARS ENDED JUNE 30, 2017 AND 2016

	2017		
	Support and Client Assistance	Management and General	Total
Salaries	\$2,258,876	\$197,414	\$2,456,290
Employee benefits	224,885	19,654	244,539
Payroll taxes	170,229	14,877	185,106
Bank charges	-	22,040	22,040
Professional services	-	11,033	11,033
Supplies	-	4,136	4,136
Communications	21,113	10,575	31,688
Postage and delivery	-	608	608
Rent	130,875	39,255	170,130
Insurance	-	14,403	14,403
Travel / vehicle expense	66,148	48,399	114,547
Training	18,061	-	18,061
Equipment lease	-	6,780	6,780
Equipment repairs and maintenance	-	29,995	29,995
Advertising	-	4,884	4,884
Licenses and permits	-	4,231	4,231
Utilities	25,533	-	25,533
Background checks	2,314	-	2,314
Miscellaneous	12,612	28,161	40,773
Bad debt	-	-	-
Interest	-	5,610	5,610
	<u>\$2,930,646</u>	<u>\$462,055</u>	<u>\$3,392,701</u>

2016		
Support and Client Assistance	(as restated) Management and General	Total
\$2,215,510	\$165,367	\$2,380,877
260,176	18,949	279,125
186,602	13,590	200,192
-	22,117	22,117
300	10,690	10,990
-	9,853	9,853
23,245	10,153	33,398
-	768	768
127,082	38,073	165,155
-	9,708	9,708
73,348	34,468	107,816
18,512	-	18,512
-	6,466	6,466
-	38,913	38,913
-	4,294	4,294
-	22,393	22,393
26,542	-	26,542
2,074	-	2,074
19,120	20,121	39,241
60	-	60
-	4,301	4,301
<u>\$2,952,571</u>	<u>\$430,224</u>	<u>\$3,382,795</u>

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2017	2016 (as restated)
Cash flows from operating activities:		
Decrease in net assets	\$(51,040)	\$(194,918)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Increase in accounts receivable - State of Tennessee	(34,072)	(3,422)
Decrease (increase) in accounts receivable - other	8,933	(11,209)
Decrease (increase) in other assets	3,089	(3,089)
Increase (decrease) in accrued expenses	4,249	(54,575)
(Decrease) increase in accounts payable	<u>(12,260)</u>	<u>12,260</u>
Total adjustments	<u>(30,061)</u>	<u>(60,035)</u>
Net cash used in operating activities	<u>(81,101)</u>	<u>(254,953)</u>
Cash flows from financing activities:		
Net (payments) borrowings on revolving line-of-credit	(6,036)	63,441
Net borrowings on notes payable	<u>98,817</u>	<u>77,300</u>
Net cash provided by financing activities	<u>92,781</u>	<u>140,741</u>
Increase (decrease) in cash	11,680	(114,212)
Cash at beginning of year	<u>3,727</u>	<u>117,939</u>
Cash at end of year	<u>\$ 15,407</u>	<u>\$ 3,727</u>

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follow:

Nature of Organization

Mid-TN Supported Living, Inc., "Mid-TN," is a nonprofit corporation chartered by the State of Tennessee for the purpose of assisting people with intellectual, developmental and other disabilities to live in the community in such a way that there is an acceptable balance between their opportunities to experience a lifestyle meaningful to themselves and the risks that occur with ordinary living. Mid-TN provides services to persons with intellectual, developmental and other disabilities in the areas of supported living, specialized equipment and supplies, personal assistance, transportation, and adoption to everyday living.

Basis of Accounting

The financial statements of Mid-TN have been prepared on the accrual basis of accounting.

Basis of Presentation

Mid-TN classifies its revenue and expenses into three classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of Mid-TN and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of Mid-TN and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are required to be maintained permanently by Mid-TN. Generally, the donors of these assets permit Mid-TN to use all or part of the income earned on related investments for general or specific purposes.

Mid-TN did not have assets that meet the definition of temporarily or permanently restricted net assets at June 30, 2017 or 2016.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue and Support

Mid-TN receives the majority of its income from contract services paid by the State of Tennessee, Division of Intellectual Disabilities Services. Mid-TN records income due from the State in the period that the applicable services were incurred by Mid-TN.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unconditional promises to give in the future are recognized as temporarily restricted assets and as revenues and support in the period promised.

Furniture and Equipment

Furniture and equipment are carried at cost. Donated furniture and equipment has not been recorded, as Mid-TN has no reasonable basis for valuation. This donated property was being discarded by other agencies and no value was assigned for their contribution. Depreciation on purchased property is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years.

Financial Instruments

Mid-TN's financial instruments consist of accounts receivable, accounts payable, accrued expenses, notes payable and a revolving line-of-credit. The recorded values of accounts receivable, accounts payable, accrued expenses and the notes payable approximate their fair values based on their short-term nature. The carrying value of the revolving line-of-credit approximates its fair value based on its variable rate.

Donated Services

Unpaid volunteers make contributions of time in various administrative, fund-raising, and program functions. The value of contributed time is not reflected in the financial statements, as it is not susceptible to an objective measurement or valuation.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates in the Preparation of Financial Statements

The preparation of the 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.

Income Taxes

Mid-TN is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been made in the accompanying financial statements. Mid-TN is not classified as a private foundation.

Mid-TN accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for Mid-TN include, but are not limited to, the tax exempt status and determination of whether income is subject to unrelated business income tax; however, Mid-TN has determined that such tax positions do not result in an uncertainty requiring recognition.

Retirement Plan

Mid-TN, maintains a 403(b) retirement plan for employees who are eligible for the plan after one year of employment. Mid-TN contributes 5% of gross wages per employee. The costs of this plan are charged to fringe benefits and totaled \$6,971 and \$13,266 for the years ended June 30, 2017 and 2016, respectively.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

B. DUE FROM THE STATE OF TENNESSEE

Mid-TN is due monies from the State of Tennessee Department of Finance and Administration, Division of Intellectual Disability Services for contract services performed during the year. These receivables total \$277,107 and \$243,035 as of June 30, 2017 and 2016, respectively.

C. REVENUE/CONTINGENCIES

Certain costs charged to a funded program may not be in compliance with requirements as set forth in contracts, statutes, and regulations governing allowability or eligibility. These costs may not be reimbursed by the State or the State agency may require that the funds already expended be refunded back to the State. The determination as to whether such costs will be allowed or disallowed under the various grants or contracts will be made by the individual grantor agencies subsequent to June 30, 2017. No liability has been recorded as of June 30, 2017 or 2016, for these costs as no determination has been made by the grantor agencies as to any amount for any grant or contract.

D. OPERATING LEASE

Mid-TN leases its office space under a lease that requires a monthly payment of \$3,220. This lease was amended in November 2016 to extend the term of the lease through October 31, 2019. Annual lease payments for office space and equipment leases totaled \$46,035 and \$44,539 for the years ended June 30, 2017 and 2016, respectively. Future minimum lease payments with terms exceeding one year are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2018	\$39,696
2019	<u>41,280</u>
	<u>\$80,976</u>

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

E. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject Mid-TN to concentration of credit risk consist of monies due from the State of Tennessee, Division of Intellectual Disabilities Services and accounts receivables. Account receivables consist of monies due from clients for reimbursement of living expenses paid by Mid-TN. These receivables are widely dispersed over many persons and mitigate credit risk. Monies due from the State of Tennessee represent concentration of credit risk to the extent that they are received from concentrated sources. Mid-TN receives a substantial amount of its support from the State of Tennessee, in excess of 98% and 99% for 2017 and 2016, respectively. A significant reduction in the levels of this support, if this were to occur, could have an effect on Mid-TN's programs and activities. Based on the upcoming fiscal year's budget, the funding is expected to continue for the near future.

F. NOTE PAYABLE

On February 20, 2016, Mid-TN borrowed \$80,000 from a member of the board under an unsecured note payable at an annual rate of 1%. During the year, Mid-TN borrowed an additional \$8,000. The outstanding balance on this note as of June 30, 2017 was \$85,700. Payments are not due until March 2019.

On December 1, 2016, Mid-TN borrowed \$40,000 from a member of the board under an unsecured note payable at an annual rate of 0%. The outstanding balance on this note as of June 30, 2017, has \$40,000. Payments are due on the note beginning in January 2018 and continue through January 2021.

On May 26, 2017, Mid-TN borrowed \$55,000 from an online alternative lender under an unsecured note payable at an annual rate of 2.5%. The outstanding balance on this note as of June 30, 2017 was \$50,417. Principal payments of \$4,583 plus interest are due monthly until maturity in May 2018.

G. REVOLVING LINE-OF-CREDIT

The revolving line-of-credit at June 30, 2017 and 2016, represented borrowings under an agreement with a bank. The line-of-credit allows for a maximum principal borrowing of up to \$100,000 with interest due monthly at the prime rate plus 2.50% (6.00% at June 30, 2017). The outstanding balance on the line-of-credit as of June 30, 2017 and 2016, totaled \$93,964 and \$100,000, respectively. The line-of-credit has an open maturity date at the discretion of the lender and is collateralized by all of Mid-TN's assets.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

H. RESTATEMENT

The 2016 financial statements have been restated to reflect a decrease in the payroll accrual in the amount of \$55,094 as of June 30, 2016.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 13, 2017, the date the financial statements were available for issuance, and has no items requiring disclosure.

OTHER INFORMATION



Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Board of Directors of
Mid-TN Supported Living, Inc.
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mid-TN Supported Living, Inc., "Mid-TN," (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mid-TN's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mid-TN's internal control. Accordingly, we do not express an opinion on the effectiveness of Mid-TN's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



To the Board of Directors of
Mid-TN Supported Living, Inc.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid-TN's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mid-TN's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mid-TN's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crosslin, PLLC

Nashville, Tennessee
December 13, 2017