

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

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INDEPENDENT AUDITORS' 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. which comprise the statement of financial position as of June 30, 2020, 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.

Auditors' 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 auditors' 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, 2020, 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.

Marcum LLP

Nashville, TN
May 25, 2021

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

Assets

Current Assets

Cash	\$	346,252
Grant receivables		65,927
Inventory		<u>272,921</u>

Total Current Assets \$ 685,100

**Property and Equipment, Net of Accumulated
Depreciation of \$294,507** 437,829

Other Assets

Beneficial interest in charitable remainder trusts		1,201,323
Endowment		219,949
Cash surrender value of life insurance		<u>5,055</u>

Total Other Assets 1,426,327

Total Assets \$ 2,549,256

The accompanying notes are an integral part of these financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	3,646
Accrued expenses		24,569
Long-term debt, current maturities		10,285
Deferred revenue		<u>5,047</u>

Total Current Liabilities \$ 43,547

Long-term debt, net of current maturities	276,667
Paycheck Protection Program loan	<u>41,835</u>

Total Liabilities 362,049

Net Assets

Net assets without donor restrictions	
Operating	749,095
Board designated	219,949
Net assets with donor restrictions	<u>1,218,163</u>

Total Net Assets 2,187,207

Total Liabilities and Net Assets \$ 2,549,256

The accompanying notes are an integral part of these financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue, Gains and Other Support			
Contributions and grants	\$ 567,849	\$ 23,000	\$ 590,849
Contributions - change in value of interest in charitable remainder trusts	--	96,758	96,758
In-kind donations	404,056	--	404,056
Investment return	11,931	--	11,931
Special events	100,039	--	100,039
Net assets released from restriction	<u>37,560</u>	<u>(37,560)</u>	<u>--</u>
Total Revenue, Gains and Other Support	<u>1,121,435</u>	<u>82,198</u>	<u>1,203,633</u>
Expenses			
Program services	1,161,116	--	1,161,116
Management and general	62,407	--	62,407
Fundraising	<u>26,002</u>	<u>--</u>	<u>26,002</u>
Total Expenses	1,249,525	--	1,249,525
(Loss) Income From Operations	(128,090)	82,198	(45,892)
Non-Operating Income:			
Insurance proceeds	<u>268,283</u>	<u>--</u>	<u>268,283</u>
Change in Net Assets	140,193	82,198	222,391
Net Assets, Beginning of Year	<u>828,851</u>	<u>1,135,965</u>	<u>1,964,816</u>
Net Assets, End of Year	<u>\$ 969,044</u>	<u>\$ 1,218,163</u>	<u>\$ 2,187,207</u>

The accompanying notes are an integral part of these financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	Program Services						Supporting Services			
	Educational Travel	Equipment Exchange	Family Support	Home Access	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
In-kind expense	\$ --	\$ 505,700	\$ --	\$ --	\$ --	505,700	\$ --	\$ --	\$ --	\$ 505,700
Client assistance	41,000	--	251,006	18,719	2,153	312,878	--	--	--	312,878
Payroll expenses	10,262	62,456	43,459	70,222	12,398	198,797	21,918	--	21,918	220,715
Office and supplies	254	22,143	1,091	65,817	288	89,593	4,052	9,010	13,062	102,655
Professional services	581	5,557	2,492	3,992	657	13,279	927	16,279	17,206	30,485
Amortization and depreciation	--	--	--	--	--	--	18,822	--	18,822	18,822
Insurance	770	4,915	3,304	5,293	872	15,154	3,730	--	3,730	18,884
Utilities	318	2,032	1,366	6,052	360	10,128	508	--	508	10,636
Interest	--	--	--	--	--	--	11,149	--	11,149	11,149
Dues and fees	387	2,472	1,662	2,662	459	7,642	618	--	618	8,260
Internet and telephone	379	2,541	1,628	2,607	429	7,584	605	--	605	8,189
Food	--	27	18	29	154	228	7	713	720	948
Bank charges	7	43	29	46	8	133	71	--	71	204
Total	<u>\$ 53,958</u>	<u>\$ 607,886</u>	<u>\$ 306,055</u>	<u>\$ 175,439</u>	<u>\$ 17,778</u>	<u>\$ 1,161,116</u>	<u>\$ 62,407</u>	<u>\$ 26,002</u>	<u>\$ 88,409</u>	<u>\$ 1,249,525</u>

The accompanying notes are an integral part of these financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows From Operating Activities

Change in net assets	\$ 222,391
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:	
Depreciation and amortization	19,391
Change in value of beneficial interest in charitable remainder trust	(96,758)
Net in-kind contributions	101,644
Insurance proceeds income	(268,283)
Changes in operating assets and liabilities:	
Grant receivables	3,864
Prepaid expenses	2,501
Endowment	4,586
Accounts payable	3,646
Accrued expenses	(2,358)
Deferred revenue	<u>290</u>

Net Cash Provided by Operating Activities \$ (9,086)

Cash Flows Used in Investing Activities

Proceeds from insurance claim	268,283
Purchases of property and equipment	<u>(193,932)</u>

Net Cash Provided by Operating Activities 74,351

Cash Flows From Financing Activities

Proceeds from long-term debt	214,777
Proceeds from Paycheck Protection Program loan	41,835
Principal payments on long-term debt	<u>(7,794)</u>

Net Cash Provided by Financing Activities 248,818

Net Change in Cash 314,083

Beginning Cash 48,817

Ending Cash \$ 362,900

The accompanying notes are an integral part of these financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Ending Cash

Cash	346,252
Cash held within investments	<u>16,648</u>

Total Cash \$ 362,900

The accompanying notes are an integral part of these financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - ORGANIZATION

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 ("U.S. GAAP"). Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidance for not-for-profit entities.

NET ASSETS

The Organization follows the provisions of the FASB ASC 958, *Not-for-Profit Entities*. FASB ASC 958 establishes standards for external financial reporting by not-for-profit organizations. Resources are reported for accounting purposes, in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets of the Organization and changes therein are classified and reported as followed:

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 Board of Directors ("Board"). Net assets voluntarily designated by the Board for specific purposes are reported as net assets without donor restrictions. The Board designated net assets can only be used for purposes approved by the Board. Currently, these funds are being held as a board designated endowment (see Note 4).

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 a donor stipulates funds be maintained in perpetuity.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Organization considers all demand deposits to be cash. Additionally, cash also includes other kinds of accounts which have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty of costs.

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 donated medical equipment 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.

INTANGIBLE ASSETS

Loan costs incurred to refinance the Organization's building loan and are being amortized straight-line over 10 years, the term of the loan, which approximates the effective interest method into interest expense. The net book value of these loan costs is netted against long-term debt on the accompanying statement of financial position. Total related interest expense for the year ended June 30, 2020 was \$569.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 2020.

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 beneficial interest (See Note 5).

LOSS FROM OPERATIONS

The statement of activities and changes in net assets includes a loss from operations as a performance indicator.

REVENUE RECOGNITION

The following types of revenue are included in the accompanying financial statements:

Contributions – Unconditional contributions are reported as revenue in the year in which the payments are received and/or unconditional promises to give are made. The Organization reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a stipulated restriction ends or is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Grants – The Organization receives support from grants. Revenue from grants is recognized as revenue when the conditions are met. In accordance with FASB ASC guidelines, grants are considered to be available for unrestricted use unless specifically restricted by the grantor. Amounts received that are designated for future periods or restricted by the grantor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statement of activities and changes in net assets as net assets released from restrictions. Grants receivable consist of amounts due to the Organization related to reimbursable grants for which reimbursement requests had been submitted at June 30, 2020, but funds have not yet been received.

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 donated medical equipment which is 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.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROGRAM SERVICES

The following program services are included in the accompanying financial statements:

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. 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.

Management and General – Includes the functions necessary to ensure an adequate working environment, including costs not identifiable with a single program or activity, coordination and articulation of the Organization's program strategy, business management, general recordkeeping, budgeting and related purposes.

INCOME TAXES

The Organization has been recognized by the Internal Revenue Service as a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code (“IRC”) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. Accordingly, no provision for income taxes has been made in these financial statements.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

The Organization accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management has analyzed the tax positions taken and has concluded that as of June 30, 2020, there are no tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions. As of June 30, 2020, the Organization did not record any penalties or interest associated with uncertain tax positions. The Organization's prior three tax years are subject to examination by taxing authorities. There are currently no examinations pending or in progress.

NEWLY ADOPTED ACCOUNTING PRONOUNCEMENT

In June 2018, the FASB issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides clarification and guidance for contributions received and contributions made to assist entities in (1) evaluating whether a transaction should be accounted for as contributions (nonreciprocal transactions) within the scope of FASB ASC 958, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. The Organization adopted this ASU during fiscal year 2020, and it did not have a material impact on the Organization's financial statements.

UPCOMING ACCOUNTING PRONOUNCEMENT

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU replaces most existing revenue recognition guidance in U.S. GAAP and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. The standard requires disclosure of the aggregate amount of transaction price allocated to performance obligations that are partially satisfied at the end of the reporting period and adjustments of expected consideration for the effects of any financial components if significant. The guidance in ASU 2014-09 will be adopted in the Organization's financial statements for the year ending June 30, 2021. Management is currently evaluating the impact that the adoption of this standard will have on its recognition of revenues.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - CONCENTRATION 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.

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 \$404,056 for the year ended June 30, 2020. At June 30, 2020, the value of equipment held by the Organization was \$272,921, 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, 2020, the Organization provided equipment with estimated fair values amounting to \$505,700, which is reported as in-kind expense on the accompanying statement of functional expenses.

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at June 30, 2020:

Buildings and improvements	\$ 674,844
Furniture and equipment	37,062
Vehicles	<u>20,430</u>
Total property and equipment	732,336
Less: Accumulated depreciation	<u>(294,507)</u>
Property and Equipment, Net	<u><u>\$ 437,829</u></u>

Depreciation expense for the year ended June 30, 2020 was \$18,822.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 6 - FAIR VALUES OF FINANCIAL INSTRUMENTS

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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, 2020.

Equity funds, exchange traded funds, and money market 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.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 6 - FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 2020, all investments, within the Endowment on the accompanying statement of financial position, were valued using Level 1 measurements and are summarized as follows:

	Level 1	Level 3	Total
Equity funds	\$ 105,087	\$ --	\$ 105,087
Exchange traded funds	83,726	--	83,726
Money market funds	14,488	--	14,488
Beneficial interest in charitable remainder trusts	--	1,201,323	1,201,323
Total	<u>\$ 203,301</u>	<u>\$ 1,201,323</u>	<u>\$ 1,404,624</u>

The annual activity of the Trusts is as follows:

Beginning balance	\$ 1,104,565
Gain from investments	<u>96,758</u>
Ending Balance	<u><u>\$ 1,201,323</u></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, 2020.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 7 - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

As of June 30, 2020, 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.

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 \$1,127,474 and \$73,849, respectively, at June 30, 2020. 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, 2020 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 future projects of the Organization which are classified as designated net assets. Amounts in the Fund are held within a managed investment account at a financial institution. Upon request by the Organization's Board of Directors, income from the Fund representing a 5% annual return may be distributed to the Organization or another suggested beneficiary.

The following is a schedule of changes in the Organization's beneficial interest in this Fund for the year ended June 30, 2020:

Balance - July 1, 2019	\$ 208,134
Change in value of interest in endowment fund investment income, net	<u>11,815</u>
Balance - June 30, 2020	<u><u>\$ 219,949</u></u>

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 9 - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

In May 2020, the Organization received a loan (the “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”). Subject to potential forgiveness, as described below, the PPP Loan matures in two years on May 8, 2022, bears interest at a rate of 1.0% per year and is evidenced by a promissory note dated May 8, 2020 (the “Note”). Monthly payments of principal and interest are deferred until December 8, 2020 (“deferment period”) and interest will continue to accrue during this deferment period. The Organization may apply for forgiveness on the loan as described below.

The PPP Loan is unsecured and federally guaranteed. The Note contains customary events of default relating to, among other things, failure to make payments of principal and interest and breaches of representations and warranties. The Organization may prepay the PPP Loan at any time prior to maturity with no penalty.

All or a portion of the PPP Loan may be eligible to be forgiven by the U.S. Small Business Administration (“SBA”) and the lender upon application by the Organization, provided that the Organization shall have used the loan proceeds for eligible purposes, including the payment of payroll, benefits, rent, mortgage interest and utilities, during the [8-24] week period beginning on the date of funding of the loan (the “covered period”). Not more than 40% of the amount forgiven may be for non-payroll costs. The Organization will be eligible to submit an application for forgiveness of the PPP Loan for a period of up to ten months after the end of the covered period. Consistent with the requirements of the PPP for loan forgiveness, the Organization has been using the loan proceeds solely for payment of payroll and otherwise in a manner which it believes satisfy the requirements for loan forgiveness. However, no assurance can be given that any application for the loan forgiveness that the Organization may submit will be approved, in whole or in part.

NOTE 10 - LONG-TERM DEBT

On January 7, 2008, the Organization entered into a \$90,280 term loan with Southeast Financial Credit Union. This loan was subsequently refinanced twice, once on August 4, 2014, and again on September 20, 2019. The second refinance included additional funds of \$221,005. Payments of \$1,939 are due monthly, with all outstanding principal and interest due August 4, 2024. Per the 2014 refinance agreement, 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 3.29% at June 30, 2020. The term loan is secured by substantially all assets of the Organization.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM DEBT (CONTINUED)

At June 30, 2020, notes payable consist of the following:

Long-term debt, Southeast Financial Credit Union	\$ 293,131
Less: Current portion	(10,285)
Less: Loan costs, net	<u>(6,179)</u>
Long-Term Debt, Net of Current Portion and Loan Costs, Net	<u>\$ 276,667</u>

Future maturities of long-term debt as of June 30, 2020 are approximately as follows:

For the Year Ending June 30,	Amount
2021	\$ 10,285
2022	10,758
2023	11,252
2024	11,769
2025	<u>249,067</u>
Total	<u>\$ 293,131</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. Each year the family makes a restricted donation to be used for medical equipment, therapy, and other needs of the qualified applicants. Due to this purpose restriction, the assets are classified as net assets with donor restrictions.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 11 - NET ASSETS (CONTINUED)

Net assets consisted of the following at June 30, 2020:

Net Assets Without Donor Restrictions	
Undesignated	\$ 749,095
Board designated	<u>219,949</u>
Total Net Assets Without Donor Restrictions	969,044
Net Assets With Donor Restrictions	
Time-restricted	<u>1,218,163</u>
Total Net Assets	<u><u>\$ 2,187,207</u></u>

NOTE 12 - EMPLOYEE BENEFIT PLAN

The Organization sponsors a 401(k) retirement plan (the "Plan"). The Plan allows the Organization to make a discretionary match up to a maximum of 5% of each eligible employee's annual compensation. Employees are eligible to participate in the Plan after one year of service to the Organization. The Organization did not make a matching contribution for the year ended June 30, 2020.

NOTE 13 - LIQUIDITY OF ORGANIZATION

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.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 13 - LIQUIDITY OF ORGANIZATION (CONTINUED)

The following table represents the Organization's financial assets as of June 30, 2020, reduced by amounts not available for general expenditure within one year of the statement of financial position date because of contractual restrictions or internal board designations:

Financial Assets at Year-End

Cash	\$ 346,252
Beneficial interest in charitable remainder trusts	1,201,323
Endowment	219,949
Cash surrender value of life insurance	<u>5,055</u>

Total Financial Assets Available at Year-End 1,772,579

Less: Amounts not available to be used for general
expenditures within one year:

Board designated reserves	(219,949)
Net assets with donor restrictions	<u>(1,218,163)</u>

Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year

\$ 334,467

The Organization has a \$145,000 line of credit which is repayable on demand, with a maturity date of July 9, 2021. As of June 30, 2020, the outstanding balance on the line was \$0.

NOTE 14 - TORNADO LOSSES

On March 3, 2020, a tornado outbreak in Nashville, Tennessee caused damage to the Organization's property. Upon an assessment by the Organization's insurance provider, related proceeds of \$268,283 were remitted to the Organization for building repair during the year ended June 30, 2020. These funds are recorded as non-operating income on the statement of activities, and were utilized to repair the damage inflicted on the Organization's building. As of June 30, 2020, \$193,932 of these funds had been spent on property repairs, with the remainder to be expended during the fiscal year ending June 30, 2021.

UNITED CEREBRAL PALSY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 15 - RISKS AND UNCERTAINTIES

In March 2020, the World Health Commission declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread through the United States. As of the date the financial statements were available to be issued, there was considerable uncertainty around the expected duration of this pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. The Organization has been able to continue most of its operations with all staff working in a remote environment; however, at this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations cannot be reasonably estimated.

NOTE 16 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 25, 2021, the date these financial statements were available to be issued. Except as described below, no other events requiring recognition or disclosure in the financial statements were identified.

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 and is evidenced by a promissory note dated June 30, 2020. Monthly payments of principal and interest are deferred until June 30, 2021 ("deferment period") and interest will continue to accrue during this deferment period.

On January 15, 2021, the Organization received a loan of \$43,220 under the SBA's PPP in accordance with the CARES Act. The loan is subject to forgiveness provided the Organization uses the proceeds to cover certain allowable costs and meets other criteria as stipulated by the PPP.