

ARC of WILLIAMSON COUNTY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2005

ARC OF WILLIAMSON COUNTY, INC.

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Independent Auditor's Report

To the Board of Directors of
ARC of Williamson County, Inc.
Franklin, Tennessee

I have audited the accompanying statement of financial position of ARC of Williamson County, Inc. (a nonprofit organization) as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ARC of Williamson County, Inc., as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

John R. Poole, CPA

October 15, 2005

ARC of WILLIAMSON COUNTY, INC.

Statement of Financial Position

June 30, 2005

Assets

Current assets:

Cash	\$	10,020
Certificate of deposit		11,520
Independent Support Contract receivable		12,318
Unconditional promises receivable		16,500
Other receivables		4,552
Total current assets		<u>54,910</u>

Property and equipment at cost:

Office equipment		6,278
Less: accumulated depreciation		<u>(6,157)</u>
Net property and equipment		<u>121</u>

Total assets	\$	<u><u>55,031</u></u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	0
Accrued expenses		<u>1,582</u>
Total current liabilities		<u>1,582</u>

Net assets:

Temporarily restricted		16,500
Unrestricted		<u>36,949</u>
Total net assets		<u>53,449</u>

Total liabilities and net assets	\$	<u><u>55,031</u></u>
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ARC of WILLIAMSON COUNTY, INC.

Statement of Activities

For the year ended June 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other support:			
State Grant			
Family Support Program	\$ 165,568	-	165,568
ISC	78,095	-	78,095
Grants	6,000	-	6,000
Contributions	1,399	-	1,399
United Way	3,355	16,500	19,855
Memberships	805	-	805
County appropriations	2,015	-	2,015
Special events	2,040	-	2,040
Interest	225	-	225
Miscellaneous	859	-	859
Net assets released from restrictions:			
United Way funding for the year 2004-2005	14,000	(14,000)	-
Total public support and revenues	<u>274,361</u>	<u>2,500</u>	<u>276,861</u>
Expenses:			
Family Support	157,616	-	157,616
ISC	78,095	-	78,095
Advocacy	18,437	-	18,437
Social and Recreational	3,888	-	3,888
Management and general	8,105	-	8,105
Total expenses	<u>266,141</u>	<u>-</u>	<u>266,141</u>
Increase (decrease) in net assets	<u>8,220</u>	<u>2,500</u>	<u>10,720</u>
Beginning of year net assets	28,729	14,000	42,729
End of year net assets	<u>\$ 36,949</u>	<u>16,500</u>	<u>53,449</u>

The accompanying notes are an integral part of these statements.

ARC of WILLIAMSON COUNTY, INC.

Statement of Functional Expenses

For the year ended June 30, 2005

	Program Services					Supporting Services	
	Family Support	ISC	Advocacy	Social and Recreational	Total	Management and General	Total Expenses
Salaries	\$ 24,684	39,674	12,554	1,409	78,321	0	78,321
Employee benefits	0	2,400	0	0	2,400	0	2,400
Payroll taxes	1,890	3,035	960	107	5,992	0	5,992
Grants and subsidies	119,276	29,282	0	0	148,558	0	148,558
Convention	448	0	0	0	448	0	448
Postage and printing	929	929	233	0	2,091	232	2,323
Dues	0	100	790	0	890	1,780	2,670
Telephone	2,600	650	800	60	4,110	48	4,158
Maintenance and repairs	1,094	0	0	0	1,094	600	1,694
Professional services	0	0	0	0	0	2,672	2,672
Supplies	1,250	100	1,115	105	2,570	222	2,792
Travel	800	500	915	0	2,215	377	2,592
Rent	3,800	1,000	1,000	900	6,700	600	7,300
Insurance	0	0	0	0	0	1,274	1,274
Food	0	0	70	1,307	1,377	0	1,377
Miscellaneous	845	425	0	0	1,270	0	1,270
Depreciation	0	0	0	0	0	300	300
Total Expenses	\$ 157,616	78,095	18,437	3,888	258,036	8,105	266,141

The accompanying notes are an intergal part of these statements.

ARC of WILLIAMSON COUNTY, INC.

Statement of Cash Flows

For the year ended June 30, 2005

Cash flows from operating activities:	
Support and revenue received	\$ 263,505
Cash paid for:	
Salaries and related expenses	(78,321)
Program and support services	(187,695)
Net cash provided by operating activities	<u>(2,511)</u>
Cash flows used by investing activities:	
Acquisition of fixed assets	<u>0</u>
Net cash used by investing activities	0
Net increase in cash	(2,511)
Cash and cash equivalents at beginning of year	12,531
Cash and cash equivalents at end of year	\$ <u><u>10,020</u></u>

Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities

Increase in net assets	\$ 10,720
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	300
Changes in assets (increase) decrease:	
Accounts receivable	(13,356)
Changes in liabilities increase (decrease)	
Accounts payable	(636)
Accrued expenses	461
Net cash provided by operating activities	\$ <u><u>(2,511)</u></u>

ARC OF WILLIAMSON COUNTY, INC.

Notes to the Financial Statements June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

ARC of Williamson County, Inc. is a non-profit organization in Williamson County, Tennessee. The Organization's mission is to enable persons with disabilities to achieve their highest level of functioning and progress toward their full potential. The organization provides social and recreational activities for adults with mental retardation and family support for parents of children with mental retardation.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and recommendations of the American Institute of Certified Public Accountants in its industry audit and accounting guide, "Not-for-Profit Organizations."

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Standards (SAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SAS No. 117, the Organization is required to report information regarding its financial position and activities according to the three classes of net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by the statement, the Organization has discontinued its use of fund accounting.

Contributions

In accordance with SAS 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

ARC OF WILLIAMSON COUNTY, INC.

Notes to the Financial Statements June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Donated Services

ARC of Williamson County, Inc. receives many hours of donated time from various citizens. It is impractical to estimate a value for these services, as such no such value has been placed on these services in the organizations's financial statements.

Donor -Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor- stipulated time restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Depreciation

Depreciation is provided for over the estimated useful lives of the assets. Assets are depreciated using the straight-line method of depreciation.

Promises to Give/Pledges

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met. At June 30, 2005 the organization has recorded \$16,500 of promises to give from the United Way of Williamson County.

Functional Allocation of Expenses

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

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.

ARC OF WILLIAMSON COUNTY, INC.

Notes to the Financial Statements June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

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

Unearned Revenue

Unearned revenue is recorded when a potential revenue does not meet the 'measurable' and 'available' criteria for recognition in the current period. In subsequent periods, when both of these criteria are met, revenue is recognized.

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.

Economic Dependence

Approximately 88% of the organization's revenues for the year ended June 30, 2005, was from contracts from various State of Tennessee departments. The State of Tennessee may, at its discretion, request reimbursement of expenses or return of funds, or both as a result of non-compliance by the Organization with the terms of the programs.

2. FIXED ASSETS

A summary of fixed asset activity is noted below:

	Balance <u>6/30/04</u>	<u>Addition</u>	<u>Retirement</u>	Balance <u>6/30/05</u>
Furniture and equipment	<u>6,278</u>	<u>-</u>	<u>-</u>	<u>6,278</u>
Total	6,278	-	-	6,278
Less: Accumulated depreciation	(5,857)			(6,157)
Net assets	<u>421</u>			<u>121</u>

Depreciation expense for the year ended June 30, 2005 was \$ 300.

ARC OF WILLIAMSON COUNTY, INC.

**Notes to the Financial Statements
June 30, 2005**

3. STATE CONTRACTS AND GRANTS:

Amounts received from the State of Tennessee are subject to audit and adjustment by the State of Tennessee. Any disallowed claims including amounts already collected, could become a liability of the Organization.