



Financial Statements
and
Independent Auditor's Report

December 31, 2014

Down Syndrome Association of Middle Tennessee

Financial Statements and Independent Auditor's Report

December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Down Syndrome Association of Middle Tennessee

I have audited the accompanying financial statements of Down Syndrome Association of Middle Tennessee, (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Down Syndrome Association of Middle Tennessee, as of December 31, 2014 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.

Michael R Atnip, CPA

Brentwood, Tennessee

December 17, 2015

Down Syndrome Association of Middle Tennessee
Statement of Financial Position
December 31, 2014

<u>Assets</u>	
Cash	\$239,248
Endowment	15,017
Property and equipment, net	5,585
Notes receivable	<u>105,177</u>
TOTAL ASSETS	<u><u>\$365,027</u></u>
 <u>Liabilities and Net Assets</u>	
LIABILITIES	
Accounts payable	\$7,487
Accrued expenses	<u>4,000</u>
TOTAL LIABILITIES	11,487
 NET ASSETS	
Unrestricted	337,190
Temporarily restricted	8,300
Permanently restricted	<u>8,050</u>
TOTAL NET ASSETS	<u>353,540</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$365,027</u></u>

See accompanying notes to financial statements.

Down Syndrome Association of Middle Tennessee
Statement of Activities
For the year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions	\$33,143			\$33,143
Grants	20,000	10,000		30,000
Buddy Walk, net of related expenses in the amount of \$30,221	96,536			96,536
Golf Tournament, net of related expenses in the amount of \$18,563	31,294			31,294
Program events and activities	27,688			27,688
Interest	52			52
Endowment investment return	736			736
Net Assets released from restrictions	<u>1,700</u>	<u>(1,700)</u>		<u>-</u>
TOTAL REVENUE AND SUPPORT	211,149	8,300	-	219,449
EXPENSES				
Program services	126,207			126,207
Management and general	37,892			37,892
Fundraising	<u>16,486</u>			<u>16,486</u>
TOTAL EXPENSES	<u>180,585</u>	<u>-</u>	<u>-</u>	<u>180,585</u>
CHANGE IN NET ASSETS	30,564	8,300	-	38,864
NET ASSETS - BEGINNING OF YEAR	<u>306,626</u>	<u>-</u>	<u>8,050</u>	<u>314,676</u>
NET ASSETS - END OF YEAR	<u><u>\$337,190</u></u>	<u><u>\$8,300</u></u>	<u><u>\$8,050</u></u>	<u><u>\$353,540</u></u>

See accompanying notes to financial statements.

Down Syndrome Association of Middle Tennessee
Statement of Cash Flows
For the year ended December 31, 2014

OPERATING ACTIVITIES	
Change in Net Assets	\$38,864
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,047
Decrease in:	
Grants and other receivables	1,750
Notes receivable	1,472
Increase (decrease) in:	
Accounts payable	4,616
Accrued expenses	549
	<hr/>
NET ADJUSTMENTS	10,434
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	49,298
INVESTING ACTIVITIES	
Net decrease in endowment fund	749
Purchases of equipment	(5,814)
	<hr/>
NET CASH USED BY INVESTING ACTIVITIES	(5,065)
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NET INCREASE IN CASH	44,233
CASH - BEGINNING OF YEAR	195,015
	<hr/>
CASH - END OF YEAR	<u><u>\$239,248</u></u>

See accompanying notes to financial statements.

Down Syndrome Association of Middle Tennessee
Statement of Functional Expenses
For the year ended December 31, 2014

	Program	Management and General	Fundraising	Total
Salaries and wages	\$53,023	\$11,192	\$16,054	\$80,269
Outside services	13,412	12,636		26,048
Supplies	31,124	1,512		32,636
Program events	10,781			10,781
Donations and outreach	1,727			1,727
Postage, printing and office	9,049	365	365	9,779
Rent	660	3,948		4,608
Travel	3,738			3,738
Insurance	750	4,648		5,398
Other expenses	1,943	1,544	67	3,554
Depreciation		2,047		2,047
	<u>\$126,207</u>	<u>\$37,892</u>	<u>\$16,486</u>	<u>\$180,585</u>

See accompanying notes to financial statements.

Down Syndrome Association of Middle Tennessee
Notes to Financial Statements
December 31, 2014

Note 1 – General

Down Syndrome Association of Middle Tennessee (DSAMT, the Organization) is a Tennessee nonprofit corporation. DSAMT's mission is to enhance the quality of life throughout the lifespan of all individuals with Down Syndrome by providing support, information and education to families, professionals and communities. Activities of the Organization include development and distribution of educational materials relating to Down Syndrome affected persons, educational and support meetings and fund-raising activities for Down Syndrome individuals.

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.

Resources are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions, as follows:

- Unrestricted net assets are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily restricted or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- Temporarily restricted net assets are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- Permanently restricted net assets are amounts required by donors to be held in perpetuity, including gifts requiring that principal be invested and the income of specific portions thereof be used for operations.

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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 that increases those net assets classes.

Down Syndrome Association of Middle Tennessee
Notes to Financial Statements
December 31, 2014

Note 2 – Summary of Significant Accounting Policies (Continued)

Contributions and Support (Continued)

When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions.

Cash

Cash consists primarily of demand deposits held in a commercial checking account.

Grants and Other Receivables

Grants and other receivables are stated at unpaid balances. When necessary the Organization provides for losses on grants and other receivables when management determines the receivable will not be collected.

Property and Equipment

Property and equipment are reported at cost. The Organization's policy is to capitalize purchases with a cost of \$1,000 or more and an estimated useful life of greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets of three to ten years.

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly income taxes are not provided for within the financial statements.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there are no positions that do not meet the aforementioned standard. Accordingly, there are no provisions for income taxes in the accompanying financial statements.

The Organization files a US Federal Form 990 for organizations for income tax. Tax returns for the years prior to 2011 are no longer open to examination.

Down Syndrome Association of Middle Tennessee
Notes to Financial Statements
December 31, 2014

Note 2 – Summary of Significant Accounting Policies (Continued)

Program and Supporting Services

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 have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statement in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Fair Value Measurements

The organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. As of December 31, 2014, there are no assets or liabilities requiring measurement using the methods outlined in level 2 or level 3.

Down Syndrome Association of Middle Tennessee
Notes to Financial Statements
December 31, 2014

Note 2 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Organization has evaluated events and transactions that occurred between December 31, 2014 and December 17, 2015, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Note 3 – Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

First Call program	<u><u>\$8,300</u></u>
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Permanently restricted net assets as of December 31, 2014

Endowment funds held by the Community Foundation of Middle Tennessee	<u><u>\$8,050</u></u>
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Note 4 – Property and Equipment

Property and equipment consisted of the following at June 30, 2014:

Equipment	\$19,058
Website	5,814
Less: Accumulated depreciation	<u>(19,287)</u>
Net property and equipment	<u><u>\$5,585</u></u>

Note 5 – Mortgages Receivable and Contingent Liability

The Organization holds a first and second mortgage associated with the sale of a home constructed as part of the Home of Your Own program. The mortgage is secured by the home. The first mortgage in the original amount is a non-interest bearing loan with 384 monthly payments in the amount of \$111. The mortgage is serviced by Pinnacle National Bank. The second mortgage is a non-interest bearing loan with 384 of \$104 that are forgiven with each month so long as the first mortgage is not in default.

The Organization holds a second mortgage with the sale of a home constructed as part of the same program. The mortgage is secured by the home and the payments of \$111 per month are forgiven so long as the first mortgage is not in default. If the owner of the home defaults on the first mortgage held by the Tennessee Housing Development Agency, the Organization would be obligated to purchase the first mortgage from the holder. The Organization would then be able to foreclose on and sell the property. The current balance of this first mortgage is \$25,333. The first mortgage held by THDA has historically been paid on time and is currently in good standing, therefore the Organization has not recorded a liability for the unpaid principal.

Note 5 – Mortgages Receivable and Contingent Liability (Continued)

The Organization maintains the mortgage balances on their books at the original note amount less any principal payments. The amounts that represent loan forgiveness will be recognized as each first mortgage is retired. The aggregate balance on the notes is as follows as of December 31, 2014:

Unpaid principle of notes receivable	\$79,794
Unrecorded forgiveness of principle	<u>25,383</u>
Notes receivable, end of year	<u>\$105,177</u>
Principle due on notes receivable during the next twelve months	\$1,328

Note 6 – Rents

The Organization occupied an office space with a monthly rent of \$275. The lease ended on March 31, 2015. Total rent paid for this space 2014 was \$3,300

The Organization also rents storage space on a month to month basis for \$109 per month. The total rent paid for storage in 2014 was \$1,308

Note 7 – Concentration of Credit Risk

The Organization is highly dependent on foundation grants and charitable contributions. If these funding sources decreased extensively, the Organization would experience significant difficulty sustaining its current level of operations.

The Organization maintains accounts at a single financial institution whose balances at time during the year exceed the Federal Deposit Insurance Corporation's insured limits of \$250,00.

Note 8 – Endowment

The Organization has an endowment with the Community Foundation of Middle Tennessee. The endowment was established by the Organization for the benefit of the Organization. The Organization has no control over the type of investments in the endowment. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Community Foundation of Middle Tennessee pools its assets for investment purposes. Investment activity is allocated to funds based on the fund's percentage share of the total portfolio. Down Syndrome Association of Middle Tennessee is invested in the Community Foundation's Pooled Fund portfolio.

Note 8 – Endowment (Continued)

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIF A) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIF A. In accordance with SPMIF A, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization has no control over the investments in the endowment. Accordingly, the Organization has not adopted an investment policy related to the endowment.

The Organization has no control over the amount that is distributed from the endowment and the amount that is being distributed is minimal. Accordingly, the Organization has not adopted a spending policy related to the endowment.

The Endowment net asset composition by fund type as of December 31, 2014 is as follows:

	Unrestricted	Permanently Restricted	Total
Board designated endowment funds	\$3,309	\$5,000	\$8,309
Donor-restricted endowment funds	3,658	3,050	6,708
	<u>\$6,967</u>	<u>\$8,050</u>	<u>\$15,017</u>

The investment return on the endowment for 2014 is as follows:

Dividends	\$271
Net realized and unrealized Gains	<u>465</u>
	<u>\$736</u>