

***Down Syndrome Association
of Middle Tennessee***

(A Nonprofit Corporation)

Financial Statements

With Independent Accountant's Report Thereon

FOR THE YEAR ENDED JUNE 30, 2005

H A Beasley & Company
Certified Public Accountants
Murfreesboro, Tennessee

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Down Syndrome Association of Middle Tennessee (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. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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. We believe that our audit provides a reasonable basis for our opinion.

In our 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 June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



H A Beasley & Company CPAs
Murfreesboro, TN

November 4, 2005

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

Statement of Financial Position

June 30, 2005

ASSETS

Cash	\$ 227,828
Accounts receivable - government grants	2,497
Accounts receivable - service revenue - clients	1,391
Current portion of mortgage receivable	2,578
Agency endowment fund	7,661
Prepaid insurance	1,708
Construction in Progress	51,352
Current Assets	<u>295,015</u>
Property and equipment	18,585
Less: Accumulated depreciation	<u>(8,727)</u>
Book value of property and equipment	9,858
Mortgage receivable	77,027

TOTAL ASSETS 381,900

LIABILITIES

Line of credit	74,422
Accounts payable and credit cards	6,948
Payroll taxes	1,917
Deferred revenue	5,025

TOTAL LIABILITIES 88,312

NET ASSETS

Unrestricted	279,130
Temporarily restricted	14,458
Permanently restricted	2,500

TOTAL NET ASSETS 293,588

TOTAL LIABILITIES AND NET ASSETS \$ 381,900

See accompanying notes and independent accountant's report.

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

Statement of Activities

Year ended June 30, 2005

UNRESTRICTED NET ASSETS		
Unrestricted revenues and support	25,128	\$
Grants	33,205	
Donations	532,164	
Program fees - government contract	53,599	
Program fees - other	22,691	
Fund-raising	4,495	
Investment return	31,318	
Net assets released from restrictions	702,600	
TOTAL UNRESTRICTED REVENUES AND SUPPORT	702,600	
Expenses		
Program services	116,619	
Support and education	644,573	
Supported Living	15,546	
Home ownership	15,811	
Supporting services	3,037	
Management and general	795,586	
Fund-raising	(92,986)	
DECREASE IN UNRESTRICTED NET ASSETS	(92,986)	
TEMPORARILY RESTRICTED NET ASSETS		
Grants	12,656	
Home of Your Own and VISTA	6,625	
Donations	500	
Summer Learning Academy, My Life My Choice	6,625	
Home of Your Own	(31,318)	
Net assets released from restrictions	(11,537)	
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(11,537)	
PERMANENTLY RESTRICTED NET ASSETS		
Endowment	2,500	
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	2,500	
INCREASE(DECREASE) IN NET ASSETS	(102,023)	
Net Assets at Beginning of Period	395,611	
NET ASSETS AT END OF YEAR	\$ 293,588	

See accompanying notes and independent accountant's report.

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE
Statement of Cash Flows
Year ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets \$ (102,023)

Adjustments to reconcile increase in net assets to net cash
provided by operating activities:

Depreciation and amortization	3,475
Loss on sale of land	3,795
(Increase) decrease in operating assets:	
Accounts receivable	126,362
Mortgage receivable	1,821
Prepaid insurance	3,140
Construction in progress	(51,352)
Increase (decrease) in operating liabilities:	
Accrued expenses and credit cards	(2,361)
Payroll taxes	(9,998)
Deferred revenue	(10,126)

TOTAL ADJUSTMENTS 64,756

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES (37,267)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of land	221,205
Investment in Agency Endowment Fund	(2,500)
Investment in funds designated for endowment	(5,161)

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES 213,544

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from line of credit borrowings	2,382
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NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES 2,382

NET INCREASE IN CASH 178,659

CASH AT THE BEGINNING OF PERIOD 49,169

CASH AT END OF PERIOD \$ 227,828

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE
Statement of Functional Expenses
Year ended June 30, 2005

	Program Services			Supporting Services		Total
	Support & Education	Supported Living	Home Ownership	Management & General	Fund-raising	
Compensation and related expenses						
Wages	16,945	431,537	8,228	7,447	781	464,938
Payroll taxes	749	43,740	374	337	38	45,238
	<u>17,694</u>	<u>475,277</u>	<u>8,602</u>	<u>7,784</u>	<u>819</u>	<u>510,176</u>
Advertising	182	2,659				2,841
License and fees	370	1,420				1,790
Depreciation and amortization	2,093	801		602		3,496
Dues and subscriptions	50	517		280		847
Employee benefits	562	14,044				14,606
Equipment rental and maintenance		3,274				3,274
Insurance	1,899	38,202	1,899	1,864	36	43,900
Interest	973	2,642		418		4,033
Rent	1,603	39,265	968	905	64	42,805
Utilities		7,675				7,675
Professional services	17,727	4,543	3,266	3,264		28,800
Postage	1,046			203		1,249
Printing	1,649					1,649
Conferences and events	53,599					53,599
Supplies	3,130	28,953		1,691		33,774
Telephone	1,622	4,946	811	783	28	8,190
Training	5,177	2,082				7,259
Travel and transportation	1,831	12,105				13,936
Other	5,412	6,168		(1,983)	2,090	11,687
	<u>116,619</u>	<u>644,573</u>	<u>15,546</u>	<u>15,811</u>	<u>3,037</u>	<u>795,586</u>

See accompanying notes and independent accountant's report.

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

Notes to Financial Statements

June 30, 2005

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Down Syndrome Association of Middle Tennessee (DSAMT) is a tax-exempt organization under 501(c)(3) of the Internal Revenue Code. DSAMT is a nonprofit organization whose mission is to enhance the quality of life throughout the life span 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, fund-raising activities, and a state approved service provider for Down Syndrome individuals.

Contributed Services

During the year ended June 30, 2005, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization at their fund-raising activities, but these services do not meet the criteria for recognition as contributed services.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Organization does not use fund accounting.

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

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

Notes to Financial Statements

June 30, 2005

Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of the organization pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of such assets permit the organization to use all or part of the income earned on the assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassification between the applicable classes of net assets.

Contributions

The Organization has also adopted SFAS No. 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. Restricted contributions whose restrictions are met in the period the contributions are received are reported as unrestricted contributions.

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 and classified by the Internal Revenue Service as other than a private foundation.

Cash and Cash Equivalents

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

Allowance for doubtful accounts

No allowance for doubtful accounts is provided because of past experience with collections and estimated collectibility of current receivables. The materiality of the unrecorded allowance for doubtful accounts approximates Generally Accepted Accounting Principles (GAAP).

NOTE B—RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Home of Your Own Program & Vista	\$11,833
Summer Learning Academy July 2005 event	<u>2,625</u>
	\$14,458

Permanently restricted net assets consist of the following:

Endowment Funds	\$ 2,500
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DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE C—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Computer equipment	\$7,871
Furnishings	6,401
Leasehold improvements	<u>4,313</u>
	18,585
Accumulated depreciation and amortization	<u>(8,727)</u>
	\$9,858

NOTE D— LAND

The Organization received a donation of 2.5 acres of land in Murfreesboro, Tennessee in 2004. The land was sold to an unrelated party in 2005. The proceeds from the sale of the land are unrestricted funds.

NOTE E— MORTGAGE RECEIVABLE

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 of \$42,500 is a non-interest loan with 384 monthly principal payments of \$110.68. The mortgage is serviced by Pinnacle National Bank. The second mortgage of \$40,000 is also a non-interest loan that has an arrangement that forgives each monthly payment as it becomes due if the first mortgage is not in default.

NOTE F— LINE OF CREDIT

The Organization maintains an unsecured line of credit with SunTrust Bank. The arrangement is structured as a demand instrument with interest only monthly payments with annual rate of prime plus 2%.

NOTE G—DESCRIPTION OF LEASING ARRANGEMENTS

The organization's administrative office is leased on a 3 -year term with monthly payments of \$665, with 6 months remaining. Additionally, a copier is leased on a 49-month term with a payment of \$192.40 per month with 25 months remaining.

Future scheduled lease payments are as follows for years ending June 30:

2006	6,299
2007	2,309
2008	<u>192</u>
	\$8,800

NOTE H—DISCONTINUED OPERATIONS

The organizational component, Down Syndrome Supported Living, was discontinued in April 2005. The organization notified the State of Tennessee of the desire to no longer be a service provider for the supported living program. As a result, the component ceased to be a part of Down Syndrome Association of Middle Tennessee. Another

DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

Notes to Financial Statements

June 30, 2005

service provider took over the program in the Middle Tennessee area. The results for the component for the year ended June 30, 2005 are as follows:

Unrestricted revenues and support

Program fees – government contract	\$532,164
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Expenses

Program services – Supported Living	<u>644,573</u>
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Decrease in unrestricted net assets for component	(\$112,409)
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NOTE I—CONCENTRATION OF RISK

The organization is highly dependent on grants, charitable contributions, and a contract with the state of Tennessee as a service provider. If these funding sources decreased extensively, the organization would experience serious difficulty in continuing operations.