

**FIFTYFORWARD,  
SENIOR CENTER FOR THE ARTS, INC.  
AND THE J. B. KNOWLES TRUST**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**June 30, 2012 and 2011**

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC.  
AND THE J. B. KNOWLES TRUST**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
FiftyForward,  
Senior Center for the Arts, Inc.  
and The J. B. Knowles Trust  
Nashville, Tennessee

We have audited the accompanying consolidated statements of financial position of FiftyForward (a nonprofit organization), Senior Center for the Arts, Inc. (a nonprofit organization) and The J. B. Knowles Trust (a charitable trust) (collectively, "the Organization") as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FiftyForward, Senior Center for the Arts, Inc. and The J. B. Knowles Trust as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012, on our consideration of FiftyForward, Senior Center for the Arts, Inc. and The J. B. Knowles Trust'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The accompanying schedule of expenditures of federal, state and local awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information, as well as the consolidating schedules of financial position and consolidating schedules of activities, is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

*Frasier, Dean & Howard, PLLC*

November 16, 2012

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC. AND  
THE J. B. KNOWLES TRUST  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 888,997	\$ 844,385
Certificates of deposit	1,248,553	1,029,005
Investments	31,818	30,572
Accounts receivable	183,549	129,041
Grants receivable	215,449	204,288
Promises to give	530,981	694,462
Prepaid expenses	22,765	26,314
Total current assets	3,122,112	2,958,067
Land, building and equipment, net	8,012,895	8,246,695
Conservator trust funds	725,309	776,022
Prepaid rent - Bellevue Center	1,667,664	1,735,485
Knowles Trust Fund cash	37,323	11,367
Knowles Trust Fund investments	1,612,901	1,752,604
Total assets	<u>\$ 15,178,204</u>	<u>\$ 15,480,240</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 143,252	\$ 139,119
Accrued expenses	140,895	153,200
Accrued pension plan liability	303,191	269,502
Deferred revenue	95,816	172,279
Total current liabilities	683,154	734,100
Conservator trust funds	725,309	776,022
Total liabilities	<u>1,408,463</u>	<u>1,510,122</u>
Net assets:		
Unrestricted - undesignated	9,817,237	9,942,044
Temporarily restricted	2,302,280	2,264,103
Permanently restricted	1,650,224	1,763,971
Total net assets	<u>13,769,741</u>	<u>13,970,118</u>
Total liabilities and net assets	<u>\$ 15,178,204</u>	<u>\$ 15,480,240</u>

See accompanying notes.

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC. AND  
THE J. B. KNOWLES TRUST  
CONSOLIDATED STATEMENT OF ACTIVITIES  
Year ended June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Contributions	\$ 1,433,896	\$ 159,155	\$ -	\$ 1,593,051
Grant revenue	836,714	-	-	836,714
Service fees	782,733	-	-	782,733
United Way	32,367	421,468	-	453,835
Special events	407,296	-	-	407,296
Membership dues	224,718	-	-	224,718
Ticket sales	169,759	-	-	169,759
In-kind contributions	107,183	-	-	107,183
Investment income, net	22,166	21,288	(13,747)	29,707
Other income	16,986	-	-	16,986
Rental income	12,164	-	-	12,164
Net assets released from restrictions	<u>663,734</u>	<u>(563,734)</u>	<u>(100,000)</u>	<u>-</u>
 Total public support and revenue	<u>4,709,716</u>	<u>38,177</u>	<u>(113,747)</u>	<u>4,634,146</u>
 Expenses:				
Program services	3,879,999	-	-	3,879,999
Support services	<u>954,524</u>	<u>-</u>	<u>-</u>	<u>954,524</u>
 Total expenses	<u>4,834,523</u>	<u>-</u>	<u>-</u>	<u>4,834,523</u>
 Change in net assets	(124,807)	38,177	(113,747)	(200,377)
 Net assets - beginning of year	<u>9,942,044</u>	<u>2,264,103</u>	<u>1,763,971</u>	<u>13,970,118</u>
 Net assets - end of year	<u>\$ 9,817,237</u>	<u>\$ 2,302,280</u>	<u>\$ 1,650,224</u>	<u>\$13,769,741</u>

See accompanying notes.

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC. AND  
THE J. B. KNOWLES TRUST  
CONSOLIDATED STATEMENT OF ACTIVITIES  
Year ended June 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Contributions	\$ 1,182,665	\$ 124,796	\$ -	\$ 1,307,461
Grant revenue	974,645	-	-	974,645
Service fees	729,658	-	-	729,658
United Way	22,180	433,560	-	455,740
Special events	409,189	-	-	409,189
Investment income, net	29,696	-	352,958	382,654
Membership dues	223,608	-	-	223,608
Ticket sales	200,825	-	-	200,825
In-kind contributions	96,263	-	-	96,263
Other income	24,671	439	-	25,110
Rental income	14,154	-	-	14,154
Net assets released from restrictions	<u>1,020,317</u>	<u>(920,317)</u>	<u>(100,000)</u>	<u>-</u>
 Total public support and revenue	<u>4,927,871</u>	<u>(361,522)</u>	<u>252,958</u>	<u>4,819,307</u>
 Expenses:				
Program services	4,053,620	-	-	4,053,620
Support services	<u>926,787</u>	<u>-</u>	<u>-</u>	<u>926,787</u>
 Total expenses	<u>4,980,407</u>	<u>-</u>	<u>-</u>	<u>4,980,407</u>
 Change in net assets	(52,536)	(361,522)	252,958	(161,100)
 Net assets - beginning of year	<u>9,994,580</u>	<u>2,625,625</u>	<u>1,511,013</u>	<u>14,131,218</u>
 Net assets - end of year	<u>\$ 9,942,044</u>	<u>\$ 2,264,103</u>	<u>\$ 1,763,971</u>	<u>\$13,970,118</u>

See accompanying notes.

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC. AND  
THE J. B. KNOWLES TRUST  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2012**

	Program Services																Support Services					Total Expenses
	Adult Daycare	Foster Grand Parents	Living At Home*	RSVP	College Grove	Donelson	Bordeaux	Brentwood Martin	J. B. Knowles Hart Bldg	Turner Center	Madison	Fifty Forward Travel	Music For Seniors	Center for the Arts	Care Team	Total	Comm	Capital Campaign	Fund Raising**	Mgmt and General	Total	
Salaries	\$ 121,391	\$ 65,097	\$ 275,329	\$ 139,369	\$ 76,235	\$ 79,588	\$ 51,645	\$ 111,677	\$ 115,788	\$ 91,515	\$ 122,890	\$ 11,097	\$ 450	\$ 25,595	\$ 98,018	\$ 1,385,684	\$ 77,221	\$ -	\$ 161,621	\$ 290,887	\$ 529,729	\$ 1,915,413
Occupancy	12,282	2,643	21,110	8,548	46,994	56,255	9,235	75,182	80,264	91,041	88,803	160	827	21,550	5,169	520,063	3,732	-	9,575	15,056	28,363	548,426
Fees	3,685	3,062	31,936	5,499	9,009	6,426	1,279	16,532	10,164	45,095	7,699	84,661	72,160	138,478	2,034	437,719	5,168	-	4,419	42,799	52,386	490,105
Benefits	29,516	10,347	75,414	22,352	16,860	5,010	3,305	21,273	20,456	17,972	23,268	441	104	1,944	12,759	261,021	11,317	12	29,546	129,289	170,164	431,185
Assistance	162	301,668	22,890	13,304	81	90	60	107	133	90	262	17	34	-	77	338,975	125	-	126	283	534	339,509
Supplies	19,413	3,928	48,934	15,800	7,729	21,106	10,241	43,034	18,648	14,077	36,174	86	1,760	52,245	2,096	295,271	1,023	7	30,617	4,221	35,868	331,139
Payroll taxes	8,991	4,729	19,765	10,398	5,704	6,098	3,843	7,391	8,396	7,842	9,170	848	34	1,969	7,491	102,669	8,920	-	12,170	22,168	43,258	145,927
Travel	18,872	2,043	12,931	2,474	3,400	5,952	7,321	6,430	3,337	10,381	9,738	37	3	3,626	3,671	90,216	573	-	73	888	1,534	91,750
Printing and publications	332	118	597	6,635	155	322	245	1,074	852	671	1,590	387	165	8,868	2,896	24,907	39,825	-	8,750	757	49,332	74,239
Telephone	2,051	2,672	6,363	1,621	2,312	8,426	2,900	10,221	1,492	414	8,255	114	1,165	-	1,054	49,060	1,365	-	1,807	2,203	5,375	54,435
Maintenance	184	658	2,361	1,044	1,891	14,254	648	2,218	3,633	1,790	7,538	-	153	25	712	37,109	557	-	4,284	5,380	10,221	47,330
Postage	50	532	1,020	2,497	679	593	77	1,206	1,720	226	3,452	231	244	2,074	178	14,779	3,957	-	3,809	2,072	9,838	24,617
Dues	101	166	1,537	381	297	391	37	1,262	248	124	386	11	60	598	47	5,646	1,554	-	1,512	6,883	9,949	15,595
Conferences and meetings	553	74	1,385	2,924	375	653	151	443	198	544	986	28	41	50	1,093	9,498	385	-	637	1,650	2,672	12,170
Recognition	647	159	1,049	725	257	284	273	854	413	448	1,031	49	98	-	218	6,505	157	-	462	2,981	3,600	10,105
Other	(22)	(473)	(84)	(10)	(450)	21	102	82	228	527	1,028	-	-	1,490	(79)	2,360	5	-	5	874	884	3,244
	218,208	397,423	522,537	233,561	171,528	205,469	91,362	298,986	265,970	282,757	322,270	98,167	77,298	258,512	137,434	3,581,482	155,884	19	269,413	528,391	953,707	4,535,189
Depreciation	14,579	-	-	-	(526)	65,322	5,420	65,424	77,628	13,857	54,127	-	-	2,686	-	298,517	-	-	817	-	817	299,334
Total	\$ 232,787	\$ 397,423	\$ 522,537	\$ 233,561	\$ 171,002	\$ 270,791	\$ 96,782	\$ 364,410	\$ 343,598	\$ 296,614	\$ 376,397	\$ 98,167	\$ 77,298	\$ 261,198	\$ 137,434	\$ 3,879,999	\$ 155,884	\$ 19	\$ 270,230	\$ 528,391	\$ 954,524	\$ 4,834,523

Note\* The Living at Home Program includes the following cost centers: Living At Home, Senior Companion, VOCA, and Meals on Wheels.

Note\*\* The Fund Raising support service includes \$28,543 of expenses for special events.

See accompanying notes.



**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC. AND  
THE J. B. KNOWLES TRUST  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2011**

	Program Services																Support Services					Total Expenses
	Adult Daycare	Foster Grand Parents	Living At Home*	RSVP	College Grove	Donelson	Bordeaux	Brentwood Martin	J. B. Knowles Hart Bldg	Turner Center	Madison	Fifty Forward Travel	Music For Seniors	Center for the Arts	Care Team	Total	Comm	Capital Campaign	Fund Raising**	Mgmt and General	Total	
Salaries	\$ 121,043	\$ 54,684	\$ 341,023	\$132,404	\$ 68,647	\$ 90,409	\$ 51,764	\$ 102,963	\$ 121,380	\$ 87,107	\$ 113,163	\$ 10,805	\$ -	\$ 24,606	\$ 38,765	\$ 1,358,763	\$ 86,905	\$ 19,332	\$ 145,206	\$ 344,422	\$ 595,865	\$ 1,954,628
Occupancy	12,339	2,250	26,349	8,453	47,650	71,924	9,826	70,110	77,869	91,080	88,683	1,371	1	21,007	23	528,935	3,618	971	8,072	17,370	30,031	558,966
Fees	2,693	1,693	35,125	3,946	13,067	4,262	1,187	15,591	29,201	27,669	10,259	126,847	60,995	130,468	-	463,003	8,499	325	5,480	24,359	38,663	501,666
Supplies	22,157	3,703	45,851	19,578	11,424	39,307	8,766	49,050	23,860	10,902	33,189	500	965	70,832	128	340,212	935	80	29,269	3,410	33,694	373,906
Assistance	103	281,197	62,325	11,663	66	81	45	93	101	128	346	12	-	-	-	356,160	88	17	133	301	539	356,699
Benefits	29,665	10,092	90,654	20,248	16,433	11,754	3,534	21,089	17,058	5,998	22,113	490	-	1,288	6,591	257,007	18,441	5,663	23,453	44,845	92,402	349,409
Payroll taxes	8,966	3,937	24,664	9,847	5,102	6,842	3,915	6,646	9,011	6,596	8,529	828	-	10,651	3,178	108,711	9,409	1,461	10,958	26,298	48,126	156,837
Travel	17,243	2,067	18,584	2,736	3,906	5,217	6,634	3,130	3,019	5,039	8,738	81	-	4,786	1,603	82,783	997	-	290	883	2,170	84,953
Printing and publications	84	446	639	5,218	417	1,057	97	2,770	1,137	2,036	2,306	369	158	14,709	-	31,443	36,838	15	11,592	1,163	49,608	81,051
Telephone	1,926	1,331	9,736	1,881	2,200	7,846	1,911	7,649	2,982	98	7,791	2	979	-	418	46,750	782	184	2,183	3,437	6,586	53,336
Maintenance	823	550	2,451	861	1,957	18,464	540	1,429	2,309	820	6,076	47	14	1,170	-	37,511	310	69	8,147	5,438	13,964	51,475
Postage	125	697	1,832	2,321	1,203	665	156	981	1,414	249	2,571	377	165	4,971	-	17,727	9,119	20	3,515	2,325	14,979	32,706
Other	38	12,000	7,510	226	1,021	2,797	3,411	39	4,587	(6)	99	-	-	21,752	-	53,474	-	-	(54)	(20,836)	(20,890)	32,584
Dues	313	334	1,910	671	308	532	50	892	281	346	1,705	13	-	616	75	8,046	1,601	39	2,216	8,849	12,705	20,751
Conferences and meetings	406	2,133	3,944	2,922	253	1,143	342	655	341	692	1,267	19	-	65	70	14,252	439	28	1,487	2,017	3,971	18,223
Recognition	512	566	1,353	583	253	310	237	1,466	563	366	1,725	46	77	95	-	8,152	360	66	509	3,439	4,374	12,526
	218,436	377,680	673,949	223,558	173,907	262,610	92,415	284,553	295,113	239,120	308,560	141,807	63,354	307,016	50,851	3,712,929	178,341	28,270	252,456	467,720	926,787	4,639,716
Depreciation	12,539	-	-	-	536	68,623	8,337	71,629	95,237	11,628	70,926	-	-	1,236	-	340,691	-	-	-	-	-	340,691
Total	\$ 230,975	\$ 377,680	\$ 673,949	\$ 223,558	\$ 174,443	\$ 331,233	\$ 100,752	\$ 356,182	\$ 390,350	\$ 250,748	\$ 379,486	\$ 141,807	\$ 63,354	\$ 308,252	\$ 50,851	\$ 4,053,620	\$ 178,341	\$ 28,270	\$ 252,456	\$ 467,720	\$ 926,787	\$ 4,980,407

Note\* The Living at Home Program includes the following cost centers: Living At Home, Senior Companion, VOCA, and Meals on Wheels.

Note\*\* The Fund Raising support service includes \$27,715 of expenses for special events.

See accompanying notes.

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC. AND  
THE J. B. KNOWLES TRUST  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (200,377)	\$ (161,100)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	299,334	340,691
Amortization of prepaid lease	67,821	63,084
Realized and unrealized losses (gains) on investments, net	12,501	(357,681)
Changes in operating assets and liabilities:		
Accounts receivable	(54,508)	(10,885)
Grants receivable	(11,161)	120,488
Promises to give	163,481	(36,545)
Prepaid expenses	3,549	18,171
Accounts payable	4,133	24,923
Accrued expenses	(12,305)	(8,334)
Accrued pension plan liability	33,689	(48,890)
Deferred revenue	(76,463)	(57,054)
Net cash provided by operating activities	<u>229,694</u>	<u>(113,132)</u>
Cash flows from investing activities:		
(Purchase) sale of certificates of deposit	(219,548)	343,703
Purchase of equipment	(65,534)	(52,188)
Proceeds from sale of investments	-	9,838
Purchase of investments	-	(626)
Net cash used in investing activities	<u>(285,082)</u>	<u>300,727</u>
Cash flows from financing activities:		
Knowles Trust Fund proceeds	670,345	372,824
Knowles Trust Fund purchases	(670,345)	(372,824)
Distributions from Knowles Trust Fund	100,000	100,000
Net cash provided by financing activities	<u>100,000</u>	<u>100,000</u>
Net increase in cash	44,612	287,595
Cash and cash equivalents - beginning of year	<u>844,385</u>	<u>556,790</u>
Cash and cash equivalents - end of year	<u>\$ 888,997</u>	<u>\$ 844,385</u>

See accompanying notes.

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC.  
AND THE J. B. KNOWLES TRUST  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2012 and 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activity**

FiftyForward provides programs and services designed to keep seniors, 50 years of age and older, fit, healthy, and involved; and to provide social services to enable home bound seniors to remain independent in their own home as long as possible. Supportive services include fund raising, management and general expenses not directly identifiable to any program, but indispensable to these activities and to FiftyForward's existence.

The J. B. Knowles's Trust (the "Trust") is a trust established to assist in paying for the operating expenses of FiftyForward's Knowles Senior Center. FiftyForward and the Trust are governed by the same board of directors.

In September 2004, FiftyForward's Board of Directors approved the by-laws and board members for the Senior Center for the Arts, Inc. ("SCA"), a non-profit organization created to support art programs. FiftyForward's board of directors appoints the board of SCA and has an economic interest in SCA.

**Principles of Consolidation**

FiftyForward, the Trust and SCA, collectively ("the Organization"), are included in the accompanying consolidated financial statements. All significant inter-entity transactions and balances have been eliminated in consolidation.

**Financial Statement Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America as prescribed for not-for-profit organizations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted net assets**

*Undesignated* – Net assets that are not subject to donor-imposed stipulations or designated by the Organization's Board.

*Designated* – Net assets designated by the Organization's Board for particular purposes.

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC.  
AND THE J. B. KNOWLES TRUST  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
June 30, 2012 and 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial Statement Presentation (Continued)**

**Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Contributions which are restricted for specific programs are reflected as unrestricted revenue if these funds are received and spent in the same fiscal year.

**Permanently restricted net assets** – Net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with an original maturity when purchased of three months or less to be cash equivalents.

**Unconditional Promises to Give**

Contributions are recognized when a donor makes an unconditional promise to give to the Organization. Contributions that are not restricted, or are restricted by the donor and the restriction expires during the fiscal year, are reported as increases in unrestricted net assets. All other contributions are reported as increases in temporarily or permanently restricted net assets. Management considers all unconditional promises to give to be fully collectible at June 30, 2012 and 2011. Accordingly, no allowance for doubtful accounts has been recorded in the accompanying consolidated statements of financial position.

**Accounts Receivable**

Accounts receivable are stated at their net realizable value. It is the opinion of management that all accounts receivable at June 30, 2012 and 2011 are collectible.

**Land, Building and Equipment**

The Organization capitalizes all expenditures for land, building and equipment in excess of \$5,000. Land, building and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful life of the assets.

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

The Organization accounts for investments in accordance with Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) guidelines for not-for-profit organizations. Under these guidelines, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Investment income and realized and unrealized gains and losses are reported as changes in unrestricted net assets unless the use of income has been restricted by the donor. See Note 2 for additional information on fair value measurements.

**Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes**

FiftyForward and SCA are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Trust’s income is set aside for charitable purposes. As such, its income should not be subject to federal income tax. Accordingly, the Organization has made no provision for income taxes.

The Organization follows FASB ASC guidance concerning the accounting for income taxes recognized in an entity’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has not recognized any tax related interest and penalties in the accompanying consolidated financial statements. Federal tax years that remain open for examination include the years ended June 30, 2009 through June 30, 2012.

For tax years prior to 2011, the Trust failed to file its informational return on a timely basis with the IRS. The Trust has received notices of assessment concerning this matter totaling approximately \$80,000. Currently management has proceeded to update all filings and pursue abatement of all amounts charged. The ultimate outcome of this matter is uncertain.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Donated Goods and Services**

The value of donated goods and services meeting the criteria for recognition are recorded as in-kind contributions, with the corresponding expenses recorded, when the fair values of the goods and services are available.

**Deferred Revenue**

Amounts received in advance for service and program fees are deferred and recognized when earned.

**Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon estimates by management.

**Restricted Endowment Funds**

The Uniform Prudent Management Institutional Funds Act (“UPMIFA”) was enacted in Tennessee effective July 1, 2007. The FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. The guidance requires that the amount of permanently restricted net assets cannot be reduced by losses on investments of the funds or by an organization’s expenditures from the fund unless the donor required the gift to be held in specific investments or under special circumstances necessary to comply with donor intentions. It also requires disclosure of a description of the governing board’s interpretation of the law that underlies the organization’s net asset classification of donor-restricted endowment funds, a description of the organization’s policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization’s endowment investment policies, and additional disclosures not previously required. These disclosures are provided in Note 9.

**Subsequent Events**

The Organization evaluated subsequent events through November 16, 2012, when these consolidated financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the consolidated statement of financial position date but prior to the filing of this report that would have a material impact on the accompanying consolidated financial statements.

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**NOTE 2 – FAIR VALUE OF INVESTMENTS**

The Organization has adopted the provisions of the Fair Value Measurement Topic of the FASB ASC. This guidance establishes a framework for measuring fair value for financial assets and financial liabilities. 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 (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

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

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

The asset's 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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

No changes in the valuation methodologies have been made during the years ended June 30, 2012 and 2011.

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.

The fair value of Level 1 assets was determined by obtaining quoted market prices in active markets. Investments held by the J.B. Knowles Trust represent units of ownership in certain common trust funds owned by the Diversified Trust Company. The Organization values these investments as Level 2 because the specific units held do not have quoted prices and are not traded on an active market.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
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**NOTE 2 – FAIR VALUE OF INVESTMENTS (Continued)**

The following table sets forth the Organization’s major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Moderate allocation	\$ 12,571	\$ -	\$ -	\$ 12,571
High yield bond	6,813	-	-	6,813
Large blend	5,148	-	-	5,148
Large growth	4,294	-	-	4,294
Diversified emerging markets	<u>2,992</u>	<u>-</u>	<u>-</u>	<u>2,992</u>
Total mutual funds	<u>31,818</u>	<u>-</u>	<u>-</u>	<u>31,818</u>
Common trust funds (held in J. B. Knowles Trust):				
Equity funds	-	814,844	-	814,844
Fixed income funds	-	630,191	-	630,191
Multi-strategy funds	<u>-</u>	<u>167,866</u>	<u>-</u>	<u>167,866</u>
Total common trust funds	<u>-</u>	<u>1,612,901</u>	<u>-</u>	<u>1,612,901</u>
Total investments	<u>\$ 31,818</u>	<u>\$ 1,612,901</u>	<u>\$ -</u>	<u>\$ 1,644,719</u>

The following table sets forth the Organization’s major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Moderate allocation	\$ 11,716	\$ -	\$ -	\$ 11,716
High yield bond	6,526	-	-	6,526
Large blend	4,967	-	-	4,967
Large growth	4,074	-	-	4,074
Diversified emerging markets	<u>3,289</u>	<u>-</u>	<u>-</u>	<u>3,289</u>
Total mutual funds	<u>30,572</u>	<u>-</u>	<u>-</u>	<u>30,572</u>



**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC.  
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**NOTE 2 – FAIR VALUE OF INVESTMENTS (Continued)**

	<u><b>Level 1</b></u>	<u><b>Level 2</b></u>	<u><b>Level 3</b></u>	<u><b>Total</b></u>
Common trust funds (held in J. B. Knowles Trust):				
Equity funds	-	973,756	-	973,756
Fixed income funds	-	643,536	-	643,536
Multi-strategy funds	<u>-</u>	<u>135,312</u>	<u>-</u>	<u>135,312</u>
Total common trust funds	<u>-</u>	<u>1,752,604</u>	<u>-</u>	<u>1,752,604</u>
Total investments	<u>\$ 30,572</u>	<u>\$ 1,752,604</u>	<u>\$ -</u>	<u>\$ 1,783,176</u>

The following schedule summarizes the investment returns for the years ended June 30:

	<u><b>2012</b></u>	<u><b>2011</b></u>
Interest and dividends, net of investment fees	\$ 81,870	\$ 74,106
Realized and unrealized gains	<u>(52,163)</u>	<u>308,548</u>
	<u>\$ 29,707</u>	<u>\$ 382,654</u>

**NOTE 3 – PROMISES TO GIVE**

Promises to give consist of the following at June 30:

	<u><b>2012</b></u>	<u><b>2011</b></u>
United Way allocation	\$ 421,468	\$ 433,560
FiftyForward Endowment	104,513	105,402
Foundation and other	-	100,500
Capital Campaign pledges	<u>5,000</u>	<u>55,000</u>
	<u>\$ 530,981</u>	<u>\$ 694,462</u>

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**NOTE 4 – LAND, BUILDING AND EQUIPMENT**

Land, building and equipment consists of the following at June 30:

	<u>2012</u>	<u>2011</u>
Land	\$ 575,000	\$ 575,000
Building and improvements	10,864,480	10,831,480
Construction in progress	53,348	53,348
Furniture and equipment	1,262,973	1,234,303
Vehicles	<u>397,709</u>	<u>397,709</u>
	13,153,510	13,091,840
Less accumulated depreciation	<u>(5,140,615)</u>	<u>(4,845,145)</u>
	<u>\$ 8,012,895</u>	<u>\$ 8,246,695</u>

Construction in progress consists of architectural fees for the proposed renovations at the Donelson Center and Senior Center for the Arts, Inc.

**NOTE 5 – PREPAID RENT**

During the year ended June 30, 2007, FiftyForward paid for construction and renovation at the YMCA Bellevue Center. FiftyForward leases space but does not own the real estate or building where the YMCA Bellevue Center was built. Expenses relating to the construction have been classified as prepaid rent. The lease agreement has an initial term of 20 years with a right to automatically extend for not more than 4 consecutive periods of 5 years each unless FiftyForward provides notification of termination. The future lease expenses are:

For the year	
<u>Ending</u>	
2013	\$ 70,715
2014	73,804
2015	77,101
2016	80,619
2017	84,370
Thereafter	<u>1,281,055</u>
	<u>\$ 1,667,664</u>

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC.  
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**NOTE 6 – EMPLOYEE PENSION PLANS**

The Organization has an IRS Section 403(b) tax sheltered annuity plan, a defined contribution money purchase pension plan and a defined benefit pension plan. Employees may voluntarily contribute to the tax sheltered annuity plan. The Organization does not make any contributions to this plan.

The Organization also has an IRS Section 401(k) defined contribution retirement plan. Eligibility for participation in the plan is attainment of age 21 and completion of one year of service in which 1,000 hours of service is completed. Participants become fully vested after five years of service. The plan allows for voluntary contributions by employees and provides for employer contributions at the discretion of the Board of Directors. The Organization contributed \$46,775 and \$107,133 to this plan in the years ended June 30, 2012 and 2011, respectively.

In January of 1975, the Organization established an employer paid defined benefit pension plan. As a result of establishing the defined contribution plan discussed previously, participation in the defined benefit plan is limited to those employees employed prior to June 30, 1992. All participants and all benefits in the defined benefit plan are 100% vested. The benefits are based on an employee's years of service and annual pay. The funding of this defined benefit plan is based on actuarial determination using the aggregate cost method which spreads the cost of projected benefits over the employees' aggregate projected future compensation.

For employees who are participants in both the defined benefit plan and the defined contribution plan, any amount determined to be due to an employee under this defined benefit plan is determined as the minimum pension benefit. If the pension under the defined contribution plan exceeds the minimum pension benefit, then the employee will only receive the defined contribution plan benefit. If the defined contribution plan benefit is less than the minimum pension benefit, then the defined benefit pension plan makes up the difference so that the employee's pension plan is equal to the minimum pension benefit. Shown below is the funded status of the defined benefit plan and amounts recognized in the Organization's consolidated statements of activities at June 30:

	<u>2012</u>	<u>2011</u>
Service costs	\$ -	\$ -
Interest cost	35,473	38,371
Expected return on plan assets	(16,881)	(26,761)
Net asset (loss) gain during the period deferred	(10,250)	32,467
Amortization of net gain	<u>13,624</u>	<u>8,344</u>
Net periodic pension expense	<u>\$ 21,966</u>	<u>\$ 52,421</u>
Discount rate	5.05%	6.14%
Rate of compensation increase	4.00%	4.00%
Expected rate of return on plan assets	7.00%	7.00%
Measurement date	07/01/2011	07/01/2010
Accumulated benefit obligation	<u>\$ 768,681</u>	<u>\$ 726,084</u>

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**NOTE 6 – EMPLOYEE PENSION PLANS (Continued)**

Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ (726,084)	\$ (663,167)
Service cost	-	-
Interest cost	(35,473)	(38,371)
Actuarial gain	(57,097)	(76,134)
Benefit paid	<u>49,973</u>	<u>51,588</u>
Benefit obligation at end of year	<u>\$ (768,681)</u>	<u>\$ (726,084)</u>
Change in Plan assets:		
Plan assets at beginning of year	\$ 456,582	\$ 405,942
Expected return on plan assets	27,131	26,761
Benefits paid	(49,973)	(51,588)
Employer contribution	42,000	43,000
(Loss) gain	<u>(10,250)</u>	<u>32,467</u>
Plan assets at end of year	<u>\$ 465,490</u>	<u>\$ 456,582</u>
Reconciliation of funded status:		
Funded status at end of year	\$ (269,502)	\$ (318,392)
Pension expense	(21,966)	(19,954)
Employer contribution	42,000	43,000
(Loss) gain	<u>(53,723)</u>	<u>25,844</u>
Prepaid benefit cost	<u>\$ (303,191)</u>	<u>\$ (269,502)</u>

Disclosure information for fiscal year ending June 30:

Change in unrecognized gain (loss):		
Unrecognized gain at beginning of year	\$ 274,420	\$ 239,097
Recognized loss	(13,624)	(8,344)
(Gain) loss due to actuarial experience	-	-
(Gain) loss due to changes in actuarial assumptions	-	-
Gain due to assets	<u>67,347</u>	<u>43,667</u>
Unrecognized gain	<u>\$ 328,143</u>	<u>\$ 274,420</u>

**NOTE 7 – CONSERVATOR TRUST FUNDS**

As a result of a court order naming the Organization conservator, trust accounts are established for the purpose of receiving income and paying personal expenses of individuals that are the subject of the court order. All of the trust funds, except for one account which is in two brokerage accounts, are deposited in federally insured banks and credit unions. None of the individual trust fund bank accounts exceeded the \$250,000 Federal Deposit Insurance Corporation (“FDIC”) limits at June 30, 2012 and 2011.

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**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted for the following purposes or periods at June 30:

	<u>2012</u>	<u>2011</u>
Donelson Capital Campaign	\$ 1,719,151	\$ 1,659,261
United Way allocations	421,468	433,560
FiftyForward Endowment pledges	104,513	105,402
Living At Home	25,000	-
Retired Senior Volunteer Program	19,641	-
CNM grant remainder	7,507	8,582
Capital Campaign pledges	5,000	55,000
Martin Center van	<u>-</u>	<u>2,298</u>
	<u>\$ 2,302,280</u>	<u>\$ 2,264,103</u>

**NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS**

The Organization became the trustee of The J. B. Knowles Trust (the “Trust”) during the fiscal year ended June 30, 2003. A court order approved the transfer of the Trust to the Organization from the former trustee, the Mayor of Nashville. The principal in the Trust is permanently restricted subject to the following provisions. Annually, the Organization has the unrestricted use of the Trust's net investment income or 5% of the Trust balance, whichever is greater. If this annual amount is less than \$40,000, the Organization can encroach upon the principal balance up to \$40,000. However, any encroachment decreasing the principal balance by more than 10% must be approved by the court. Based on these provisions, the initial balance that was transferred to the Organization is reported as a permanently restricted net asset. During the years ended June 30, 2012 and 2011 based on the provisions discussed above, the Organization received \$100,000 each year from the Trust which approximated 6.1% and 5.7% of the Trust balance at June 30, 2012 and 2011, respectively. The Trust net investment (loss) income for the years ended June 30, 2012 and 2011 totaled (\$13,747) and \$352,958, respectively.

**Interpretation of Relevant Law**

The Board of Trustees of the Organization has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted Trust funds absent explicit donor stipulations to the contrary, such as net accumulations of investment income (loss) needed to meet corpus withdrawals as described above. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent Trust, (b) the original value of subsequent gifts to the permanent Trust, and (c) accumulations to the permanent Trust 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 Trust fund

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**NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS (Continued)**

that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**2012 Trust Net Asset Composition by Type of Fund as of June 30, 2012:**

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Donor restricted Trust funds	\$ -	\$ -	\$ 1,650,224	\$ 1,650,224
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,650,224</u>	<u>\$ 1,650,224</u>
	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Trust net assets, beginning of year	\$ -	\$ -	\$ 1,763,971	\$ 1,763,971
Income	-	-	(13,747)	(13,747)
Release	-	-	(100,000)	(100,000)
Trust net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,650,224</u>	<u>\$ 1,650,224</u>

**2011 Trust Net Asset Composition by Type of Fund as of June 30, 2011:**

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Donor restricted Trust funds	\$ -	\$ -	\$ 1,763,971	\$ 1,763,971
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,763,971</u>	<u>\$ 1,763,971</u>
	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Trust net assets, beginning of year	\$ -	\$ -	\$ 1,511,013	\$ 1,511,013
Income	-	-	352,958	352,958
Release	-	-	(100,000)	(100,000)
Trust net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,763,971</u>	<u>\$ 1,763,971</u>

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**NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS (Continued)**

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted Trust funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. No Trust funds had fair values below the level that the donor or UPMIFA required at June 30, 2012 and 2011.

**Trust Investment Policy and Risk Parameters**

The Organization has adopted investment and spending policies for Trust assets that attempt to provide stable source of perpetual financial support by its Trust while seeking to preserve the purchasing power of the Trust assets. Trust assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, as well as amounts designated by the Board of Directors, if any, to be held in perpetuity.

At June 30, 2012 and 2011, under the Organization's policy, as approved by the Board of Directors, Trust assets are to be invested under the following allocation guidelines for each asset class:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Cash and cash equivalents	0%	20%
Fixed income	20%	75%
Equity	25%	65%
Publicly traded real estates (REITS)	0%	10%
Alternative investments	0%	5%

Across all asset classes, the investment policy prohibits investments in non-liquid securities, private placements, futures, uncovered options and short sales.

**Strategies Employed for Achieving Investment Objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Organization has a policy of appropriating an annual distribution from the Trust funds that shall not exceed net investment income or 5% of the Trust assets value. Specific agreements with donors for income taken relative to their specific restricted gifts are exempted.

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**NOTE 10 – FIFTYFORWARD ENDOWMENT, INC.**

FiftyForward Endowment, Inc. (the “Endowment”) is a separate organization that financially supports the activities of the Organization. The Endowment is organized as a 501(c)(3) not-for-profit organization for the purpose of supporting activities of senior citizens including the Organization but not limited to the Organization. The Organization does not control the decisions and activities of the Endowment and vice versa. The Organization has made grants to the Endowment as disclosed annually in the consolidated statements of functional expenses. The Organization is not required to make any grants to the Endowment. Annually, the Endowment makes an unconditional pledge to the Organization for support of the Organization's activities for the next fiscal year that is reported in the consolidated statements of activities. The Endowment's pledge is approximately 5% of the fair market value of the Endowment's investments. The Endowment is not required to make a pledge to the Organization of this or any other amount and has made different amounts of donations in the past. The Organization's cumulative grants to the Endowment are \$2,424,969, and the Endowment's cumulative pledges and donations to the Organization are \$1,863,737 and \$1,759,224 at June 30, 2012 and 2011.

**NOTE 11 – IN-KIND SUPPORT**

The Organization has an agreement with the Metropolitan Government of Nashville and Davidson County to use the site where The J. B. Knowles Center Hart Building is located as a senior center for 40 years for \$1. The fair value of the use of the land for the forty years is estimated to be \$16,250 per year for a total of \$650,000.

The Organization also has in-kind agreements to use its College Grove facilities. The fair market value of the rent of these facilities is estimated to be \$41,400 per year.

During the year ended June 30, 2001, the Organization received a donation of land with a fair market value of \$375,000 from the City of Brentwood, which is the site of the Martin Senior Center. The Organization has title to the land subject to a provision that if the Organization sells the land the City of Brentwood will receive a portion of the proceeds.

During the year ended June 30, 2007, the Organization received a donation of a building at 3315 John Malette Drive in Nashville, Tennessee with a fair market value of \$117,000 from Metropolitan/Davidson County for its Northwest Senior Center site. The Organization has title to the property subject to a provision that if the Organization ceases to operate a senior center facility, the property will revert back to the local government.



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**NOTE 11 – IN-KIND SUPPORT (Continued)**

The Organization also receives in-kind support in the form of meals, uniforms, and medical services provided to its volunteers by other agencies involved in the programs. Also, the Organization receives in-kind professional services, supplies, equipment, janitorial services, printing, legal, real estate consulting, and recognition donations. A summary of in-kind support received and included as contributions and expenses in the consolidated statements of activities at June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Rent and land use	\$ 57,650	\$ 57,650
Assistance	<u>49,533</u>	<u>38,613</u>
	<u>\$ 107,183</u>	<u>\$ 96,263</u>

**NOTE 12 – CONCENTRATIONS**

The Organization maintains its cash in bank accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Deposits are insured by the FDIC. Management believes the Organization is not exposed to any significant credit risk on cash. Uninsured balances at June 30, 2012 and 2011 totaled \$42,096 and \$143,470, respectively.

The Organization is substantially funded by grants from federal, state, and local government agencies and by annual contributions from United Way. A significant reduction in the level of this support, if this were to occur, may have an effect in the Organization's programs and activities. In addition, the grants prescribe allowable expenditure guidelines with which the Organization must comply. The grants are received prospectively, subject to subsequent verification of allowable expenditures or provision of qualifying services.

## **SUPPLEMENTAL INFORMATION**

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC. AND  
THE J. B. KNOWLES TRUST**  
**SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND LOCAL AWARDS**  
**Year ended June 30, 2012**

**FEDERAL AWARDS**

Grantor	Program Name	CFDA Number	Contract Number	Receivable June 30, 2011	Cash Receipts	Expenditures	Receivable June 30, 2012
U.S. Department of Health and Human Services Passed Through							
TN Dept. of Health and Human Services	Social Services Block Grant	93.667	GR-10-28531-00	\$ 6,678	\$ 6,678	\$ -	\$ -
TN Dept. of Health and Human Services	Social Services Block Grant	93.667	GR-12-35617-00	-	41,019	52,200	11,181
Total for CFDA No. 93.667				6,678	47,697	52,200	11,181
Greater Nashville Regional Council	Title IIIB	93.044	2011-10	40,050	40,050	-	-
Greater Nashville Regional Council	Title IIIB	93.044	2012-10	-	37,102	77,700	40,598
Greater Nashville Regional Council	Title IIID	93.043	2011-10	8,000	8,000	-	-
Greater Nashville Regional Council	Title IIID	93.043	2012-10	-	-	8,000	8,000
Total for Greater Nashville Regional Council				48,050	85,152	85,700	48,598
Total for U.S. Department of Health and Human Services <sup>d</sup>				54,728	132,849	137,900	59,779
U.S. Department of Agriculture Passed Through							
U.S. Department of Human Services	Child and Adult Food Program	10.558	34740006001	5,243	12,494	7,251	-
U.S. Department of Human Services	Child and Adult Food Program	10.558	34740006001	-	5,365	9,237	3,872
Total for CFDA No. 10.558*				5,243	17,859	16,488	3,872
U.S. Department of Justice Passed Through:							
YWCA	Victims of Crime Act	16.588	YWCA	1,250	3,125	1,875	-
U.S. Department of Human Services	Victory Over Crime	16.575	Z0738322800	10,134	56,667	61,974	15,441
U.S. Department of Human Services	Edward Byrne Memorial Justice Assistance Grant	16.803	Z0735322800	2,685	2,685	-	-
Total for U.S. Department of Justice*				14,069	62,477	63,849	15,441
Corporation for National and Community Service	Foster Grandparents Program+	94.011	10SFSTN002	44,410	263,175	296,196	77,431
Corporation for National and Community Service	Respite Senior Companion Program	94.016	09SCSTN003	8,091	12,725	4,634	-
Corporation for National and Community Service	Retired Senior Volunteer Program	94.002	09SRSTN007	20,177	80,378	83,143	22,942
Total for Corporation for National and Community Service <sup>3</sup>				72,678	356,278	383,973	100,373
Total Federal Awards				146,718	569,463	602,210	179,465

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC. AND  
THE J. B. KNOWLES TRUST  
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND LOCAL AWARDS (Continued)  
Year ended June 30, 2012**

**STATE AWARDS**

Grantor	Program Name	CFDA Number	Contract Number	Receivable June 30, 2011	Cash Receipts	Expenditures	Receivable June 30, 2012
TN Commission on Aging -							
Greater Nashville Regional Council	Senior Citizens Operations Grant	N/A	2011-10#	21,700	21,700	-	-
Greater Nashville Regional Council	Senior Citizens Operations Grant	N/A	2012-10#	-	22,750	45,800	23,050
Total for Greater Nashville Regional Council				21,700	44,450	45,800	23,050
TN Dept of Finance and Administration	Volunteer Tennessee	N/A	N/A	-	500	500	-
Tennessee Arts Commission	Theater in the Grove	N/A	N/A	1,170	6,570	5,400	-
Tennessee Arts Commission	Arts Program Categorical Grant	N/A	N/A	-	4,300	4,300	-
Metropolitan Nashville Arts Commission	Senior Citizens for the Arts, Inc.	N/A	N/A	-	4,500	4,500	-
Metropolitan Nashville Arts Commission	Basic Operating Support II	N/A	12-B3-05	-	29,700	29,700	-
Metropolitan Nashville Arts Commission	Community Enhancement	N/A	L-2445	34,700	34,700	-	-
Metropolitan Nashville Arts Commission	Community Enhancement	N/A	L-2658	-	54,420	67,354	12,934
Total State Awards				57,570	179,140	157,554	35,984
<b>LOCAL AWARDS</b>							
Williamson County	College Grove Center Grant	N/A	N/A	-	31,950	31,950	-
Williamson County	Brentwood Center Grant	N/A	N/A	-	45,000	45,000	-
Total Local Awards				-	76,950	76,950	-
Total Federal, State and Local Awards				\$ 204,288	\$ 825,553	\$ 836,714	\$ 215,449

\*Cash grant receipts represent federal pass-through funds

# Represents state's portion of grant

+ Indicates a major program

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND LOCAL AWARDS**

**NOTE 1 - BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal, State and Local Awards is prepared on the accrual basis of accounting.

**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  
FiftyForward, Senior Center for the Arts, Inc. and The J. B. Knowles Trust  
Nashville, Tennessee

We have audited the consolidated financial statements of FiftyForward, Senior Center for the Arts, Inc. and The J. B. Knowles Trust (collectively the “Organization”) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 16, 2012. We conducted our audit 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.

**Internal Control Over Financial Reporting**

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control over financial reporting.

*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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of 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*.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 16, 2012

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Board of Directors of  
FiftyForward, Senior Center for the Arts, Inc. and The J. B. Knowles Trust  
Nashville, Tennessee

**Compliance**

We have audited FiftyForward, Senior Center for the Arts, Inc. and The J. B. Knowles Trust’s (collectively the “Organization”) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization’s major federal programs for the year ended June 30, 2012. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization’s management. Our responsibility is to express an opinion on the Organization’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization’s compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

## **Internal Control Over Compliance**

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not be designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the board of directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 16, 2012



**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC.  
AND THE J. B. KNOWLES TRUST  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2012**

**I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the consolidated financial statements of FiftyForward, Senior Center for the Arts, Inc. and The J. B. Knowles Trust ("the Organization").
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the consolidated financial statements of the Organization were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Organization expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

**CFDA Number**  
94.011

**Name of Federal Program or Cluster**  
Foster Grandparents

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Organization qualified as a low-risk auditee.

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC.  
AND THE J. B. KNOWLES TRUST  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
Year ended June 30, 2012**

**II. FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT**

None.

**III. FINDINGS AND QUESTIONED COST FOR FEDERAL AUDITS**

None.

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC.  
AND THE J. B. KNOWLES TRUST  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year ended June 30, 2012**

None.

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC. AND  
THE J. B. KNOWLES TRUST  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
June 30, 2012**

	<b>FiftyForward</b>	<b>Senior Center for the Arts, Inc.</b>	<b>The J. B. Knowles Trust</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 847,519	\$ 41,478	\$ -	\$ 888,997
Certificates of deposit	1,248,553	-	-	1,248,553
Investments	31,818	-	-	31,818
Accounts receivable	183,549	-	-	183,549
Grants receivable	215,449	-	-	215,449
Promises to give	530,594	387	-	530,981
Prepaid expenses	15,570	7,195	-	22,765
Total current assets	3,073,052	49,060	-	3,122,112
Land, building and equipment, net	8,008,289	4,606	-	8,012,895
Conservator trust funds	725,309	-	-	725,309
Prepaid rent - Bellevue Center	1,667,664	-	-	1,667,664
Knowles Trust Fund cash	-	-	37,323	37,323
Knowles Trust Fund investments	-	-	1,612,901	1,612,901
Total assets	<u>\$ 13,474,314</u>	<u>\$ 53,666</u>	<u>\$ 1,650,224</u>	<u>\$ 15,178,204</u>
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable	\$ 143,252	\$ -	\$ -	\$ 143,252
Accrued expenses	140,895	-	-	140,895
Due to (from) related party	(38,495)	38,495	-	-
Accrued pension plan liability	303,191	-	-	303,191
Deferred revenue	58,788	37,028	-	95,816
Total current liabilities	607,631	75,523	-	683,154
Conservator trust funds	725,309	-	-	725,309
Total liabilities	<u>1,332,940</u>	<u>75,523</u>	<u>-</u>	<u>1,408,463</u>
Net assets:				
Unrestricted - undesignated	9,839,481	(22,244)	-	9,817,237
Temporarily restricted	2,301,893	387	-	2,302,280
Permanently restricted	-	-	1,650,224	1,650,224
Total net assets	<u>12,141,374</u>	<u>(21,857)</u>	<u>1,650,224</u>	<u>13,769,741</u>
Total liabilities and net assets	<u>\$ 13,474,314</u>	<u>\$ 53,666</u>	<u>\$ 1,650,224</u>	<u>\$ 15,178,204</u>

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC. AND  
THE J. B. KNOWLES TRUST  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
June 30, 2011**

	<b>FiftyForward</b>	<b>Senior Center for the Arts, Inc.</b>	<b>The J. B. Knowles Trust</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 675,402	\$ 168,983	\$ -	\$ 844,385
Certificates of deposit	1,029,005	-	-	1,029,005
Investments	30,572	-	-	30,572
Accounts receivable	129,041	-	-	129,041
Grants receivable	204,288	-	-	204,288
Promises to give	694,462	-	-	694,462
Prepaid expenses	11,703	14,611	-	26,314
Total current assets	2,774,473	183,594	-	2,958,067
Land, building and equipment, net	8,239,403	7,292	-	8,246,695
Conservator trust funds	776,022	-	-	776,022
Prepaid rent - Bellevue Center	1,735,485	-	-	1,735,485
Knowles Trust Fund cash	-	-	11,367	11,367
Knowles Trust Fund investments	-	-	1,752,604	1,752,604
Total assets	<u>\$ 13,525,383</u>	<u>\$ 190,886</u>	<u>\$ 1,763,971</u>	<u>\$ 15,480,240</u>
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable	\$ 139,119	\$ -	\$ -	\$ 139,119
Accrued expenses	153,200	-	-	153,200
Due to (from) related party	(173,792)	173,792	-	-
Accrued pension plan liability	269,502	-	-	269,502
Deferred revenue	136,061	36,218	-	172,279
Total current liabilities	524,090	210,010	-	734,100
Conservator trust funds	776,022	-	-	776,022
Total liabilities	<u>1,300,112</u>	<u>210,010</u>	<u>-</u>	<u>1,510,122</u>
Net assets:				
Unrestricted - undesignated	9,961,168	(19,124)	-	9,942,044
Temporarily restricted	2,264,103	-	-	2,264,103
Permanently restricted	-	-	1,763,971	1,763,971
Total net assets	<u>12,225,271</u>	<u>(19,124)</u>	<u>1,763,971</u>	<u>13,970,118</u>
Total liabilities and net assets	<u>\$ 13,525,383</u>	<u>\$ 190,886</u>	<u>\$ 1,763,971</u>	<u>\$ 15,480,240</u>

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC. AND  
J. B. KNOWLES TRUST  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
Year ended June 30, 2012**

	<b>FiftyForward</b>	<b>Senior Center for the Arts, Inc.</b>	<b>The J. B. Knowles Trust</b>	<b>Total</b>
Public support and revenue:				
Contributions	\$ 1,559,577	\$ 33,474	\$ -	\$ 1,593,051
Grant revenue	802,714	34,000	-	836,714
Service fees	782,701	32	-	782,733
United Way	453,835	-	-	453,835
Special events	407,296	-	-	407,296
Membership dues	224,718	-	-	224,718
Ticket sales	-	169,759	-	169,759
In-kind contributions	107,183	-	-	107,183
Investment income, net	43,454	-	(13,747)	29,707
Other income	7,950	9,036	-	16,986
Rental income	-	12,164	-	12,164
Net assets released from restrictions	100,000	-	(100,000)	-
Total public support and revenue	4,489,428	258,465	(113,747)	4,634,146
Expenses:				
Program services	3,618,801	261,198	-	3,879,999
Support servcies	954,524	-	-	954,524
Total expenses	4,573,325	261,198	-	4,834,523
Change in net assets	(83,897)	(2,733)	(113,747)	(200,377)
Net assets - beginning of year	12,225,271	(19,124)	1,763,971	13,970,118
Net assets - end of year	\$12,141,374	\$ (21,857)	\$1,650,224	\$13,769,741

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC. AND  
J. B. KNOWLES TRUST  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
Year ended June 30, 2011**

	<b>FiftyForward</b>	<b>Senior Center for the Arts, Inc.</b>	<b>The J. B. Knowles Trust</b>	<b>Total</b>
Public support and revenue:				
Contributions	\$ 1,300,299	\$ 7,162	\$ -	\$ 1,307,461
Grant revenue	938,245	36,400	-	974,645
Service fees	716,149	13,509	-	729,658
United Way	455,740	-	-	455,740
Special events	409,189	-	-	409,189
Investment income, net	29,696	-	352,958	382,654
Membership dues	223,608	-	-	223,608
Ticket sales	-	200,825	-	200,825
In-kind contributions	96,263	-	-	96,263
Other income	18,521	6,589	-	25,110
Rental income	-	14,154	-	14,154
Net assets released from restrictions	87,221	12,779	(100,000)	-
Total public support and revenue	4,274,931	291,418	252,958	4,819,307
Expenses:				
Program services	3,745,368	308,252	-	4,053,620
Support servcies	926,787	-	-	926,787
Total expenses	4,672,155	308,252	-	4,980,407
Change in net assets	(397,224)	(16,834)	252,958	(161,100)
Net assets - beginning of year	12,622,495	(2,290)	1,511,013	14,131,218
Net assets - end of year	\$12,225,271	\$ (19,124)	\$1,763,971	\$13,970,118