



SeniorCitizens^{INC.}

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

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

**JOE OSTERFELD, CPA
CERTIFIED PUBLIC ACCOUNTANT
710 NORTH MAIN STREET - SUITE A
PO BOX 807
COLUMBIA, TN 38402-0807**

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AUDITED FINANCIAL STATEMENTS
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FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

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JOE OSTERFELD, CPA

CERTIFIED PUBLIC ACCOUNTANT

710 NORTH MAIN STREET ~ SUITE A ~ PO BOX 807 ~ COLUMBIA, TN 38402-0807

TELEPHONE: 931-388-7144 ~ FAX: 931-388-7239

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Senior Citizens, Inc., Senior Center for the Arts, Inc. and J.B. Knowles Trust

174 Rains Avenue

Nashville, TN 37203

I have audited the accompanying statement of financial position of Senior Citizens, Inc. (a nonprofit organization), Senior Center for the Arts, Inc. (a nonprofit organization), and the J. B. Knowles Trust (a charitable trust) as of June 30, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Organizations' management. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Senior Citizens, Inc., Senior Center for the Arts, Inc. and the J.B. Knowles Trust as of June 30, 2006 and 2005, and the changes in its net assets and its 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*, I have also issued my report dated September 11, 2006, on my consideration of Senior Citizens, Inc.'s, Senior Center for the Arts, Inc.'s, and the J.B. Knowles Trust's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purposes of forming an opinion on the basic financial statements of Senior Citizens, Inc. Senior Center for the Arts, Inc.'s, and the J.B. Knowles Trust taken as a whole. The accompanying Schedules of Federal Awards and State Awards are presented for purposes of additional analysis as required by the US Office of Management and Budget Circular A-133., *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. The accompanying schedules of revenues, expenses, and changes in unrestricted net assets is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Joe Osterfeld, CPA
Columbia, Tennessee
September 11, 2006

SENIOR CITIZENS, INC.
SENIOR CENTER FOR THE ARTS, INC. AND J.B. KNOWLES TRUST
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash - unrestricted	\$ 341,722	\$ 102,555
Cash - temporarily restricted	262,316	183,511
Total operating cash	<u>604,038</u>	<u>286,066</u>
Investments	106,526	103,095
Accounts receivable	114,595	142,927
Promises to give, current portion	594,518	574,580
Prepaid expenses	17,292	9,600
Total current assets	<u>1,436,969</u>	<u>1,116,268</u>
Land, building, and equipment	14,622,963	12,284,790
Accumulated depreciation	<u>(3,090,892)</u>	<u>(2,692,471)</u>
Net land, building, and equipment	11,532,071	9,592,319
Other assets: Conservator trust accounts	134,521	35,860
Pension plan intangible asset	184,385	157,216
Knowles Trust Fund cash	58,385	65,246
Knowles Trust Fund investments	1,881,160	1,936,201
Capital campaign cash accounts	220,415	395,696
Capital campaign investments	-	1,800,000
Long term portion of promises to give	<u>-</u>	<u>24,927</u>
Total assets	<u>\$ 15,447,906</u>	<u>\$ 15,123,733</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 103,568	\$ 84,224
Accrued expenses	144,690	80,299
Accrued pension plan liability	222,036	155,618
Deferred revenue	96,090	15,756
Total current liabilities	<u>566,384</u>	<u>335,897</u>
Conservator trust funds	134,521	35,860
Total liabilities	<u>700,905</u>	<u>371,757</u>
Net Assets:		
Undesignated	11,472,991	9,571,815
Board designated	200,000	200,000
Total unrestricted net assets	<u>11,672,991</u>	<u>9,771,815</u>
Temporarily restricted	1,134,465	2,978,714
Permanently restricted	1,939,545	2,001,447
Total net assets	<u>14,747,001</u>	<u>14,751,976</u>
Total liabilities and net assets	<u>\$ 15,447,906</u>	<u>\$ 15,123,733</u>

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

SENIOR CITIZENS, INC.
SENIOR CENTER FOR THE ARTS, INC. AND J.B. KNOWLES TRUST
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

<u>PUBLIC SUPPORT AND REVENUE</u>	<u>2006</u>	<u>2005</u>
Special events	\$ 429,623	\$ 488,097
Contributions	819,229	820,029
Sub-total	<u>1,248,852</u>	<u>1,308,126</u>
United Way	33,647	27,340
Membership dues	139,523	126,023
In kind support	132,794	112,063
Service fees	571,118	513,692
Investment income	131,019	192,453
Gain on disposal	1,000	500
Other income	9,468	5,978
Net assets released from restrictions: Principal transfer	61,902	(73,654)
Satisfaction of program restrictions: Awards	875,845	831,389
Satisfaction of timing restrictions: United Way	474,155	483,805
Senior Citizens Foundation	112,847	97,945
Capital Campaign	2,558,119	335,674
Sub-total of satisfaction of timing restrictions	<u>3,145,121</u>	<u>917,424</u>
Total public support and revenue	<u>6,350,289</u>	<u>3,961,334</u>
<u>EXPENSES</u>		
Program services	3,453,311	3,298,996
Support Services	995,802	1,066,478
Total expenses	<u>4,449,113</u>	<u>4,365,474</u>
Increase (decrease) in unrestricted net assets	1,901,176	(404,140)
Unrestricted net assets, beginning	9,771,815	10,175,955
Unrestricted net assets, end of year	<u>\$ 11,672,991</u>	<u>\$ 9,771,815</u>
<u>Temporarily restricted net assets:</u>		
Awards	\$ 875,845	\$ 831,389
United Way	490,018	473,629
Contributions	708,854	288,554
Senior Citizens Foundation	102,000	112,847
Net assets released from restrictions:		
Satisfaction of program restrictions	(875,845)	(831,389)
Satisfaction of timing restrictions	(3,145,121)	(917,424)
Increase (decrease) in temporarily restricted net assets	(1,844,249)	(42,394)
Temporarily restricted net assets, beginning	2,978,714	3,021,108
Temporarily restricted net assets, end of year	<u>\$ 1,134,465</u>	<u>\$ 2,978,714</u>
<u>Permanently restricted net assets:</u>		
Principle transfer in (out)	\$ (61,902)	\$ 73,654
Increase (decrease) in permanently restricted net assets	(61,902)	73,654
Permanently restricted net assets, beginning	2,001,447	1,927,793
Permanently restricted net assets, end of year	<u>\$ 1,939,545</u>	<u>\$ 2,001,447</u>
Increase (decrease) in net assets	(4,975)	(372,880)
Net assets, beginning	14,751,976	15,124,856
Net assets, end of year	<u>\$ 14,747,001</u>	<u>\$ 14,751,976</u>

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

SENIOR CITIZENS, INC.
SENIOR CENTER FOR THE ARTS, INC. AND J.B. KNOWLES TRUST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006

	Program Services											Support Services				Total
	Foster			College	Hadley	Brent-wood	J.B. Knowles	Center for the Arts	Senior Citizens Foundation	Manage-						
	Adult	Grand	Living At								Capital	Fund	Mgmt &			
	Daycare	Parents	Home *								Grove	Donelson	Park	Martin	Hart Bldg	
Salaries	106,135	58,110	383,999	135,499	69,222	137,799	46,794	83,337	121,088	127,596			14,704	122,977	415,733	\$1,822,993
Benefits	25,794	7,716	86,113	26,929	13,987	20,303	3,172	15,316	12,383	26,323			297	22,278	112,892	373,503
Payroll tax	7,921	4,226	28,203	10,114	5,297	10,303	4,380	5,333	9,147	9,528			1,121	9,106	38,469	143,148
Fees	944	1,242	25,530	2,136	8,135	55,305	313	15,506	25,488	8,472	68,544		9,709	7,398	27,378	256,100
Supplies	15,465	1,298	47,761	5,006	14,698	15,713	4,386	14,274	6,822	21,580	7,648		772	98,433	6,270	260,126
Telephone	1,815	991	11,133	3,086	2,494	13,716	870	13,107	3,694	4,645			790	862	5,570	62,773
Postage	767	421	3,054	1,006	1,959	3,013	425	1,391	787	5,358	101		123	12,795	17,175	48,375
Occupancy	7,717	1,869	22,540	7,157	48,171	90,996	8,442	45,896	64,157	87,849	23,407		3,911	3,357	17,328	432,797
Maintenance	264	116	1,336	263	2,088	4,593	362	1,141	220	672	6,984		1,079	278	926	20,322
Printing	228	787	2,133	510	1,007	1,001	443	1,222	3,500	3,572	4,419		2,069	14,086	39,183	74,160
Travel	24,507	1,807	18,789	2,448	3,812	9,715	2,533	5,603	2,414	8,481	374			250	3,240	83,973
Conferences	974	287	2,612	625	307	737	474	422	285	124			1,905	2,637	5,845	17,234
SCF Grant												67,273				67,273
Assistance	82	289,120	58,872	2,936	60	96	37	59	85	94	3,229		13	88	318	355,089
Dues	255	125	2,314	547	367	670	100	735	471	1,210	205		5,037	280	6,318	18,634
Recognition	97	359	587	2,119	138	331	24	3,399	440	813			73	94	1,802	10,276
Other	1	1	3	-	74	583	5	17	38	20	3,092		3	-	79	3,916
	192,966	368,475	694,979	200,381	171,816	364,874	72,760	206,758	251,019	306,337	118,003	67,273	41,606	294,919	698,526	4,050,692
Depreciation	12,564				7,931	74,790	3,201	112,033	139,163	48,739						398,421
Total	\$205,530	\$368,475	\$694,979	\$200,381	\$179,747	\$439,664	\$75,961	\$318,791	\$390,182	\$355,076	\$118,003	\$67,273	\$41,606	\$294,919	\$698,526	\$4,449,113

Note *: The Living At Home Program includes the following cost centers: Living At Home, Respite, VOCA, and Peer Counseling.

Note **: The Fund Raising support service includes \$96,488 of expenses for special events.

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

SENIOR CITIZENS, INC.
SENIOR CENTER FOR THE ARTS, INC. AND J.B. KNOWLES TRUST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

	Program Services										Support Services				
	Foster Adult	Grand	Living At		College		Hadley	Brent-wood	J.B. Knowles		Senior Citizens	Capital	Fund	Manage-Mgmt &	Total
	Daycare	Parents	Home *	RSVP	Grove	Donelson	Park	Martin	Hart Bldg	Madison	Foundation	Campaign	Raising **	General	Expenses
Salaries	\$110,584	\$59,676	\$429,545	\$131,412	\$71,322	\$134,826	\$42,015	\$75,271	\$108,594	\$122,628		\$20,285	\$115,131	\$410,149	\$1,831,438
Benefits	25,823	8,664	99,888	27,948	12,921	23,529	1,817	14,031	13,864	27,415		1,047	21,609	106,943	385,500
Payroll tax	8,337	4,430	31,601	9,924	5,360	10,030	3,206	4,983	8,227	9,243		1,542	8,616	32,910	138,409
Fees	1,051	473	27,945	1,649	11,041	59,476	971	4,507	5,835	7,056		28,523	8,898	35,639	193,063
Supplies	17,281	2,533	52,254	2,705	15,797	12,213	4,890	10,857	12,535	27,548		2,394	129,597	6,838	297,443
Telephone	1,753	1,240	9,569	2,810	2,484	13,234	971	12,551	3,457	4,866		939	845	5,774	60,494
Postage	859	797	3,268	1,030	2,248	4,028	438	1,655	758	3,555		166	15,236	13,349	47,386
Occupancy	7,525	1,910	23,988	7,221	49,648	54,944	8,690	38,095	64,399	107,903		4,902	3,301	17,621	390,148
Maintenance	654	301	2,437	708	3,853	4,263	258	1,142	339	1,404		59	310	1,282	17,008
Printing	670	216	3,525	840	839	1,377	1,037	566	3,407	3,297		671	13,741	32,691	62,877
Travel	24,346	1,905	21,906	3,279	4,482	9,729	2,253	2,523	4,264	6,425		24	361	3,849	85,344
Conferences	466	602	2,678	1,809	157	1,527	32	103	650	436		77	1,297	5,005	14,839
SCF Grant											93,042				93,042
Assistance	79	275,628	56,940	3,342	59	97	31	52	71	89		17	82	302	336,788
Dues	280	367	1,294	646	306	1,582	215	657	836	714		5,043	271	5,891	18,102
Recognition	318	2,105	1,983	2,767	160	620	71	274	960	487		52	601	2,155	12,554
Other	13		31		361	593	460	11	7	76		0	0	445	1,996
	200,039	360,846	768,850	198,090	181,038	332,070	67,355	167,277	228,203	323,142	93,042	65,741	319,895	680,842	3,986,429
Depreciation	12,564				7,405	72,758	3,155	111,933	135,637	35,593					379,044
Total	\$212,603	\$360,846	\$768,850	\$198,090	\$188,443	\$404,828	\$70,510	\$279,210	\$363,840	\$358,735	\$93,042	\$65,741	\$319,895	\$680,842	\$4,365,474

Note *: The Living At Home Program includes the following cost centers: Living At Home, Respite, VOCA, and Peer Counseling.

Note **: The Fund Raising support service includes \$126,782 of expenses for special events.

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

SENIOR CITIZENS, INC.
SENIOR CENTER FOR THE ARTS, INC. AND J.B.KNOWLES TRUST
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase (decrease) in net assets	\$ (4,975)	\$ (372,880)
Adjustments to reconcile increase in net assets to net cash provided (used) by operations:		
Depreciation	398,421	379,044
Unrealized (gain) loss in value of investments	(69,148)	(15,568)
(Increase) decrease in:		
Accounts receivable	28,332	(10,337)
Promises to give	4,989	277,739
Prepaid expenses	(7,692)	9,219
Conservator trust funds	(98,661)	(2,518)
Pension plan intangible asset	(27,169)	9,730
Increase (decrease) in:		
Accounts payable	19,344	5,726
Accrued expenses	64,391	9,984
Accrued pension plan liability	66,418	23,770
Deferred revenue	80,334	(6,004)
Conservator trust funds	98,661	2,519
Total from operations	<u>553,245</u>	<u>310,424</u>
<u>INVESTING ACTIVITIES:</u>		
Land, building & equipment purchases	(2,338,173)	(79,528)
Proceeds from sale of investments	2,003,108	2,631
Purchase of investments	(3,431)	(369,184)
Total from investing	<u>(338,496)</u>	<u>(446,081)</u>
<u>FINANCING ACTIVITIES:</u>		
Knowles Trust Fund proceeds	1,911,391	2,014
Knowles Trust Fund purchases	(1,883,449)	-
Distributions from Knowles Trust Fund	(100,000)	-
Capital campaign cash accounts proceeds	175,281	(103,869)
Total from financing	<u>103,223</u>	<u>(101,855)</u>
Increase (decrease) in cash	317,972	(237,512)
Beginning cash balance	286,066	523,578
Ending cash balance	<u>\$ 604,038</u>	<u>\$ 286,066</u>

The accompanying notes are an integral part of the financial statements

SENIOR CITIZENS, INC.
SENIOR CENTER FOR THE ARTS, INC. AND J.B. KNOWLES TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Senior Citizens, Inc. (the Agency), a Tennessee not-for-profit corporation, provides programs and services designed to keep seniors, 55 years of age or 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 the Agency's existence.

The Joseph B. Knowles Trust Fund (the Trust Fund) is a trust established to assist in paying for the operating expenses of the Agency's Knowles Senior Center. The Agency and the Trust Fund are governed by the same board of directors. See note 13 for further information on the Trust Fund.

Senior Center for the Arts, Inc. (SCA) is a non-profit organization that supports art programs. The Agency's board of directors appoints the board of SCA and has an economic interest in SCA. SCA is consolidated with the Agency. See note 15 for further information on SCA.

Basis of Accounting

The consolidated financial statements of the Agency, the Fund, and SCA have been prepared on the accrual basis of accounting and accordingly reflect all significant accounts receivable, accounts payable, and other liabilities. All significant inter company accounts and transactions have been eliminated.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, Agency 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.

Accounts Receivable

Accounts receivable are stated at their net realizable value. It is the opinion of management that all accounts receivable at June 30, 2006 and 2005 are collectible.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents are defined as all cash on hand and deposited in FDIC insured bank accounts with an initial maturity of three months or less. Any cash or investments which the agency holds in a conservator trust are reported separately as other assets.

Deferred Revenue

Income from service fees are deferred and recognized over the periods to which the service fees relate.

Donated Assets

Marketable securities and other non cash donations are recorded as contributions at their estimated fair market values at the date of the donation.

**SENIOR CITIZENS, INC.
SENIOR CENTER FOR THE ARTS, INC. AND J.B. KNOWLES TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

Donations of Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support 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 support. Absent donor stipulations regarding how these long lived assets must be maintained, Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

Agency records donated services when they create or enhance a non-financial asset or for specialized skills provided by entities or persons possessing those skills that would be purchased if they were not donated.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Values of Financial Instruments

Financial instruments of Agency include cash, short term trade accounts receivable, and trade accounts payable. Management estimates that the fair value of all financial instruments at June 30, 2006 and 2005 do not differ materially from the carrying values of the financial instruments recorded in the accompanying balance sheet.

Income Tax Status

Senior Citizens, Inc. and Senior Center for the Arts, Inc. are exempt organizations which are not considered private foundations and are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The J.B Knowles Trust Fund is a charitable trust and is exempt from federal income taxes. Accordingly, no provisions for income taxes have been made.

Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

Property 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 assets and is reflected as an expense in the Statement of Functional Expenses.

Use of 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.

**SENIOR CITIZENS, INC.
SENIOR CENTER FOR THE ARTS, INC. AND J.B. KNOWLES TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

Restricted and Unrestricted Revenue 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. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

NOTE 2 - CASH AND CREDIT RISK

All cash and certificate of deposits of Senior Citizens, Inc. are deposited in FDIC insured banks and in brokerage money market accounts. The Agency had deposits exceeding the \$100,000 FDIC deposit insurance coverage. Due to the float on outstanding checks, the credit risk for these excess balances were \$442,256 and \$1,498,922 at June 30, 2006 and June 30, 2005, respectively. Consistent with the American Institute of Certified Public Accountants Audit and Accounting Guide for Not-for-Profit Organizations, cash in which is donor restricted for long term purposes is segregated as a non-current asset.

	<u>2006</u>	<u>2005</u>
Cash in banks and on hand	\$ 341,721	\$ 285,587
Money market funds	262,317	479
Operating cash	604,038	286,066
Cash	220,414	395,696
Money market funds	58,385	65,246
Total cash	<u>\$ 882,838</u>	<u>\$ 747,008</u>

NOTE 3 - INVESTMENTS

The Agency's investments consist of certificates of deposit in FDIC insured banks which mature in more than 3 months and mutual funds invested through brokerage accounts. These investments are carried at market value. The unrealized gains (losses) are (\$61,902) and \$15,568 at June 30, 2006 and June 30, 2005, respectively. The unrealized gains (losses) are reported as part of the investment income on the statement of Activities. The agency's cost basis in the investments are:

	<u>2006</u>	<u>2005</u>
Certificates of Deposit	\$ 959,643	\$ 1,800,000
Bonds	-	1,364,643
Common stock	990,818	574,490
Mutual Funds	105,267	128,530
Total Investments	<u>\$ 2,055,728</u>	<u>\$ 3,867,663</u>

NOTE 4 - CONSERVATOR TRUST FUNDS

As a result of a court order naming the Agency 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. One individual trust fund bank accounts exceeded the \$100,000 FDIC deposit insurance coverage by \$21,172 and \$0 at June 30, 2006 and 2005, respectively.

SENIOR CITIZENS, INC.
SENIOR CENTER FOR THE ARTS, INC. AND J.B. KNOWLES TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable consist of:

	<u>2006</u>	<u>2005</u>
Grantor receivables	\$ 73,336	\$ 71,841
Service fees receivables	41,259	71,086
Total Receivables	<u>\$ 114,595</u>	<u>\$ 142,927</u>

NOTE 6 - PROMISES TO GIVE

Unconditional promises to give consist of:

	<u>2006</u>	<u>2005</u>
United Way Allocation	\$ 490,018	\$ 473,629
Senior Citizens Foundation	102,000	112,847
Contributions & Capital Campaign Pledges	<u>2,500</u>	<u>115,771</u>
Gross promises to give	594,518	702,247
Less: Unamortized discount	-	(7,884)
Less: Allowance for doubtful pledges	<u>-</u>	<u>(94,856)</u>
Net promises to give	594,518	599,507
Less: Current portion	<u>(594,518)</u>	<u>(574,580)</u>
Long-term portion of promises to give	<u>\$ -</u>	<u>\$ 24,927</u>

Promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 6%. The long-term portion of the promises at June 30, 2005 are due during the fiscal year end 2006.

NOTE 7 - EMPLOYEE PENSION PLANS

The Agency 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 Agency does not make any contributions to this plan.

Effective July 1, 1992, the agency established a defined contribution money purchase pension plan which is paid for by the employer. Eligibility for participation in the plan are 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 3 years of vesting service. During the first plan year, 4% of each eligible employee's compensation was contributed to the money purchase plan. The board of directors may change this funding level for future years but did not for the years ended June 30, 2006 and 2005. The Agency contributed \$67,702 and \$58,277 to this plan in the years ended June 30, 2006 and 2005.

In January of 1975, the Agency 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 an actuarial determination using the aggregate cost method which spreads the cost of projected benefits over the employees' aggregate projected future compensation.

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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 Agency's statement of activities at June 30, 2006 and June 30, 2005:

Disclosure information for the fiscal year ending:	<u>6/30/2006</u>	<u>6/30/2005</u>
<u>Components of Net Periodic Costs:</u>		
Service costs	\$ 9,471	\$ 8,011
Interest cost	34,196	34,983
Expected return on plan assets	(6,971)	(20,061)
Amortization of transition obligations	(16,902)	(5,033)
Amortization of net (gain) loss	19,455	15,680
Net periodic pension expense	<u>\$ 39,249</u>	<u>\$ 33,580</u>
Discount rate	6.00%	6.50%
Rate of return on assets	7.00%	7.00%
Salary increase	4.00%	4.00%
Measurement date	7/1/2005	7/1/2004
Accumulated benefit obligation	<u>\$ 554,113</u>	<u>\$ 516,976</u>
<u>Change in Projected Benefit Obligation:</u>		
Benefit obligation at beginning of year	\$ 555,997	\$ 565,327
Service cost	9,471	8,011
Interest cost	34,196	34,983
Actuarial (gain) loss	24,776	(14,831)
Benefit paid	(36,252)	(37,493)
Benefit obligation at end of year	<u>\$ 588,188</u>	<u>\$ 555,997</u>
<u>Change in Plan Assets:</u>		
Plan assets at beginning of year	\$ 361,358	\$ 378,790
Expected return on plan assets	23,873	25,094
Benefits paid	(36,252)	(37,493)
Gain (loss)	(16,902)	(5,033)
Plan assets at end of year	<u>\$ 332,077</u>	<u>\$ 361,358</u>
<u>Reconciliation of Funded Status:</u>		
Funded status at end of year	\$ (155,618)	\$ (131,848)
Pension expense	(39,249)	(33,580)
Unrecognized gain (loss)	(27,169)	9,810
(Accrued) prepaid benefit cost	<u>\$ (222,036)</u>	<u>\$ (155,618)</u>

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Disclosure information for the fiscal year ending:

	<u>2006</u>	<u>2005</u>
<u>Change in Unrecognized Gain/Loss:</u>		
Unrecognized (gain) loss at beginning of year	\$ 196,237	\$ 221,715
Recognized gain (loss)	(19,455)	(15,680)
(Gain) loss due to actuarial experience	24,776	(14,831)
(Gain) loss due to changes in actuarial assumptions	-	-
(Gain) loss due to assets	16,902	5,033
Unrecognized (gain) loss at end of year	<u>\$ 218,460</u>	<u>\$ 196,237</u>

NOTE 8 - LAND, BUILDING, AND EQUIPMENT

Useful lives are 10 to 40 years for buildings and improvements, and 5 to 10 years for furniture and equipment, and 5 years for vehicles. Land, building, and equipment consist of:

	<u>2006</u>	<u>2005</u>
Land	\$ 1,620,440	\$ 1,620,440
Building and improvements	9,512,339	9,200,990
Construction in progress	2,018,837	34,837
Furniture and equipment	1,203,426	1,163,356
Vehicles	267,921	265,167
	<u>14,622,963</u>	<u>12,284,790</u>
Less: Accumulated depreciation	(3,090,892)	(2,321,380)
Total	<u>\$ 11,532,071</u>	<u>\$ 9,963,410</u>

Construction in progress is for a new senior center in Bellevue. The Agency expects the new center to open September 15, 2006.

NOTE 9 - FINANCIAL DEPENDENCE

The Agency 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 Agency's programs and activities. In addition, the grants prescribe allowable expenditure guidelines with which Agency must comply. The grants are received prospectively, subject to subsequent verification of the incurring of allowable expenditures or provision of qualifying services.

NOTE 10 - IN KIND SUPPORT

The Agency had an agreement effective October 1, 1991 with the J.B. Knowles Trust Fund to lease the J.B. Knowles Senior Citizens Center for \$1 per year for 25 years. The fair market value for rental of this facility is estimated to be \$40,000 per year. This use ended with the move of the Knowles Center to the Hart Building site in January 2005. See note 13. The Agency has an in kind agreement with the Metropolitan Government of Nashville and Davidson County to use the site where the 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 Agency also has in kind agreements to use its College Grove and Hadley Park facilities. The fair market value of the rent of these facilities is estimated to

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NOTES TO FINANCIAL STATEMENTS
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be \$41,400 and \$9,000 per year respectively. During the year ended June 30, 2001 the Agency 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 Agency has title to the land subject to a provision that if the Agency sells the land the City of Brentwood will receive part of the proceeds.

The Agency 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 Agency receives from time to time in kind professional services, supply, equipment, janitorial services, printing, legal, real estate consulting, and recognition donations. A summary of in kind support received and included in the financial statements is as follows:

	<u>2006</u>	<u>2005</u>
Rent and land use	\$ 64,850	\$ 64,850
Assistance	63,174	54,663
Professional services	1,330	376
Supplies	3,440	1,224
Total	<u>\$ 132,794</u>	<u>\$ 121,113</u>

NOTE 11 - DEFERRED REVENUE

Deferred revenue consists of payments for services that have not been earned.

NOTE 12 - BOARD DESIGNATED NET ASSETS

The Board of Directors for Senior Citizens, Inc. has designated \$150,000 in a capital reserve fund and \$50,000 in a special needs fund.

NOTE 13 - PERMANENTLY RESTRICTED NET ASSETS

The Agency became the trustee of the Knowles Trust during the fiscal year ended June 30, 2004. A court order approved the transfer of the Knowles Trust to Senior Citizens, Inc. from the former trustee the Mayor of Nashville. The principal in the Knowles Trust Fund is permanently restricted subject to the following provisions. Annually, the Agency has the unrestricted use of the Knowles Trust Fund's net investment income or 5% of the trust fund balance, whichever is greater. If this annual amount is less than \$40,000, the Agency can encroach upon the principal balance up to a minimum of \$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 is reported as a restricted net asset. During the year ended June 30, 2006, based on the provisions discussed above, the Agency received \$100,000 from the Trust which is less than 5% of the trust fund balance.

NOTE 14 - SENIOR CITIZENS FOUNDATION, INC.

Senior Citizens Foundation, Inc. (the Foundation) is an independently governed organization that financially supports the activities of Senior Citizens, Inc. (the Agency). The Foundation is organized as a 501(c)(3) not for profit organization for the purpose of supporting activities of senior centers including the

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NOTES TO FINANCIAL STATEMENTS
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Agency but not limited to the Agency. The Agency does not control the decisions and activities of the Foundation and vice versa. The Agency has made grants to the Foundation as disclosed annually in the statement of functional expenses. The Agency is not required to make any grants to the Foundation. Annually, the Foundation makes an unconditional pledge to the Agency for support of the Agency's activities for the next fiscal year that is reported in the statement of activities. The Foundation's pledge is approximately 5% of the fair market value of the Foundation's investments of the Agency's grants. The Foundation is not required to make a pledge to the Agency of this or any other amount and has made different amounts of donations in the past. The Agency's cumulative grants to the Foundation are \$2,259,849, and the Foundation's cumulative pledges and donations to the Agency are \$1,110,010. Since the Agency does not have control over the Foundation's decisions and activities, the fair value of the assets held by the Foundation is not recognized as an asset of the Agency.

NOTE 15 - SENIOR CITIZENS FOR THE ARTS

On October 12, 2005, the Agency's board of directors approved the by-laws and board members for the Senior Citizens for the Arts, Inc. (SCA) a non-profit organization created to support art programs. The Agency's board of directors appoints the board of SCA and has an economic interest in SCA. SCA is consolidated with the Agency.

SCA had no assets, liabilities, operating income or expenses in the year ended June 30, 2005. For the year ended June 30, 2006, the assets, liabilities, revenues and expenses of SCA are consolidated with and reported on the Agency's financial statements.

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SENIOR CENTER FOR THE ARTS, INC. AND J.B. KNOWLES TRUST
SCHEDULE OF FEDERAL AWARDS
JUNE 30, 2006**

CFDA Number	State Grant Number	Grantor Agency and Program Name	Balance July 1, 2005	Grant Cash Receipts	Expenditures	Balance June 30, 2006	
<u>US Department of Health and Human Services:</u>							
Passed Through the Tennessee Department of Human Services:							
93.667	Z06026041	Social Services Block Grant	\$ -	\$ 52,200	\$ 52,200	\$ -	
Passed Through the Greater Nashville Regional Council:							
93.044	2006-10	Title IIIB	(12,624)	80,100	67,476	-	(A)
93.043	2006-10	Title IIID	-	10,600	21,225	(10,625)	
Passed Through the Tennessee Department of Mental Health and Developmental Disabilities through: Centerstone Community Mental Health Centers, Inc.							
93.958	Centerstone	Peer Counseling	(14,013)	16,050	3,375	(1,338)	(A)
93.275	Centerstone	SAMSA		20,000	25,000	(5,000)	
<u>US Department of Agriculture - Passed Through the Department of Human Services:</u>							
10.558	34740006001	Child & Adult Food Program	-	18,439	19,939	(1,500)	
<u>National Endowment for the Arts - Passed Through the Tennessee Arts Commission:</u>							
45.022	Z0602824300	Art program	-	5,100	5,100	-	
<u>US Department of Justice - Passed Through the Department of Human Services:</u>							
16.575	Z0009933701	Victims of Crime Act	-	62,511	65,811	(3,300)	
<u>Corporation for National & Community Service:</u>							
94.011	GH02SFSTN072	Foster Grandparents Program *	(25,456)	288,892	288,926	(25,490)	(A)
94.016	GH03SCSTN004	Respite Senior Companion Program *	(4,567)	45,450	44,776	(3,893)	(A)
94.002	GH02SRSTN068	Retired Senior Volunteer Program	(9,181)	110,785	110,858	(9,254)	(A)
Totals			(39,204)	445,127	444,560	(38,637)	
Total Grants Receivable			\$ (65,841)	\$ 710,127	\$ 704,686	\$ (60,400)	

(A): Amounts shown in brackets represents money due from the grantor.

(B): Advances due to the grantor if not used for program purposes.

* : Represents a major program for Single Audit Purposes.

This schedule is prepared on the same (accrual) basis of accounting as the financial statements.

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

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SENIOR CENTER FOR THE ARTS, INC. AND J.B. KNOWLES TRUST
SCHEDULE OF FEDERAL AWARDS
JUNE 30, 2005**

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Grantor Agency and Program Name</u>	<u>Balance July 1, 2004</u>	<u>Grant Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2005</u>	
<u>US Department of Health and Human Services:</u>							
Passed Through the Tennessee Department of Human Services:							
93.667	Z05020322	Social Services Block Grant	\$ -	\$ 52,200	\$ 52,200	\$ -	
Passed Through the Greater Nashville Regional Council:							
93.044	2005-10	Title IIIB	-	69,476	82,100	(12,624)	(A)
93.043	2005-10	Title IIID	(899)	13,799	12,900	-	
Passed Through the Tennessee Department of Mental Health and Developmental Disabilities through:							
Centerstone Community Mental Health Centers, Inc.							
93.958	Centerstone	Peer Counseling	(4,026)	10,647	20,634	(14,013)	(A)
<u>US Department of Agriculture - Passed Through the Department of Human Services:</u>							
10.558	34740006001	Child & Adult Food Program	-	24,002	24,002	-	
<u>National Endowment for the Arts - Passed Through the Tennessee Arts Commission:</u>							
45.022	Z0301244500	Art program	-	1,250	1,250	-	
<u>US Department of Justice - Passed Through the Department of Human Services:</u>							
16.575	Z0009933701	Victims of Crime Act	(13,229)	71,630	58,401	-	
<u>Corporation for National & Community Service:</u>							
94.011	GH02SFSTN072	Foster Grandparents Program *	(25,246)	291,482	291,692	(25,456)	(A)
94.016	GH03SCSTN004	Respite Senior Companion Program *	(4,134)	53,505	53,938	(4,567)	(A)
94.002	GH02SRSTN068	Retired Senior Volunteer Program	(9,177)	110,160	110,164	(9,181)	(A)
Totals			(38,557)	455,147	455,794	(39,204)	
Total Grants Receivable			\$ (56,711)	\$ 698,151	\$ 707,281	\$ (65,841)	

(A): Amounts shown in brackets represents money due from the grantor.

(B): Advances due to the grantor if not used for program purposes.

* : Represents a major program for Single Audit Purposes.

This schedule is prepared on the same (accrual) basis of accounting as the financial statements.

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

**SENIOR CITIZENS, INC.
SENIOR CENTER FOR THE ARTS, INC. AND J.B. KNOWLES TRUST
SCHEDULE OF STATE AND LOCAL AWARDS
JUNE 30, 2006**

<u>State Grant Number</u>	<u>Grantor Agency and Program Name</u>	<u>Balance July 1, 2005</u>	<u>Grant Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2006</u>	
<u>Tennessee Department of Mental Health and Developmental Disabilities:</u>						
GR061724900	Foster Grand Parents Program (Cloverbottom)	\$ (6,000)	\$ 6,000	\$ 6,000	\$ (6,000)	(A)
<u>Tennessee Commission on Aging - Greater Nashville Regional Council:</u>						
2006-10	Senior Citizens Operations Grant	-	35,000	41,936	(6,936)	
<u>Tennessee Arts Commission - TAC Touring Grant</u>						
316.25	Senior Citizens for the Arts, Inc.	-	1,000	1,000	-	
State Totals		<u>\$ (6,000)</u>	<u>\$ 42,000</u>	<u>\$ 48,936</u>	<u>\$ (12,936)</u>	
<u>Davidson County:</u>						
	Donelson Center Grant		\$ 25,000	\$ 25,000	\$ -	
<u>Williamson County:</u>						
	College Grove Center Grant	-	16,250	16,250	-	
	Brentwood Center Grant	-	16,250	16,250	-	
<u>Brentwood College Grove Grant:</u>						
		-	40,000	40,000	-	
<u>Senior Citizens for the Arts, Inc.</u>						
	Metro Nashville Arts Commission	-	26,219	26,219	-	
Local Government Totals		<u>\$ -</u>	<u>\$ 123,719</u>	<u>\$ 123,719</u>	<u>\$ -</u>	

(A): Amounts shown in brackets represents money due from the grantor.

(B): Advances due to the grantor if not used for program purposes.

This schedule is prepared on the same (accrual) basis of accounting as the financial statements.

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

SENIOR CITIZENS, INC.
SENIOR CENTER FOR THE ARTS, INC. AND J.B. KNOWLES TRUST
SCHEDULE OF STATE AND LOCAL AWARDS
JUNE 30, 2005

<u>State Grant Number</u>	<u>Grantor Agency and Program Name</u>	<u>Balance July 1, 2004</u>	<u>Grant Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2005</u>	
<u>Tennessee Department of Mental Health and Developmental Disabilities:</u>						
GR051634800	Foster Grand Parents Program (Cloverbottom)	\$ (6,000)	\$ 6,000	\$ 6,000	\$ (6,000)	(A)
Not Issued	Foster Grand Parents Program	(5,717)	5,717		-	
<u>Tennessee Commission on Aging - Greater Nashville Regional Council:</u>						
2005-10	Senior Citizens Operations Grant	-	35,000	35,000	-	
State Totals		<u>\$ (11,717)</u>	<u>\$ 46,717</u>	<u>\$ 41,000</u>	<u>\$ (6,000)</u>	
<u>Williamson County:</u>						
	College Grove Center Grant	\$ -	\$ 16,858	\$ 16,858	\$ -	
	Brentwood Center Grant	-	16,250	16,250	-	
<u>Brentwood College Grove Grant:</u>						
	Local Government Totals	<u>\$ -</u>	<u>\$ 73,108</u>	<u>\$ 73,108</u>	<u>\$ -</u>	

(A): Amounts shown in brackets represents money due from the grantor.

(B): Advances due to the grantor if not used for program purposes.

This schedule is prepared on the same (accrual) basis of accounting as the financial statements.

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

Senior Citizens, Inc.
Senior Center for the Arts, Inc. and J.B Knowles Trust
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified.

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: unqualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ yes ☒ no

Identification of major programs:

CFDA Number(s)

94.011

94.016

Name of Federal Program

Foster Grand Parents Program

Respite Senior Companion Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low risk? ☒ yes ☐ no

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

SENIOR CITIZENS, INC.
SENIOR CENTER FOR THE ARTS, INC. AND J.B. KNOWLES TRUST
SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS
JUNE 30, 2006

	<u>Agency</u>	<u>Knowles Trust</u>	<u>Center for the Arts</u>	<u>Total 2006</u>
<u>ASSETS</u>				
Cash - unrestricted	\$ 339,323		\$ 2,399	\$ 341,722
Cash - temporarily restricted	262,316			262,316
Total operating cash	601,639	-	2,399	604,038
Investments	106,526			106,526
Accounts receivable	111,394		3,201	114,595
Promises to give, current portion	594,518			594,518
Prepaid expenses	17,292			17,292
Total current assets	1,431,369	-	5,600	1,436,969
Land, building, and equipment	14,622,963			14,622,963
Accumulated depreciation	(3,090,892)			(3,090,892)
Net land, building, and equipment	11,532,071	-	-	11,532,071
Other assets: Conservator trust accounts	134,521			134,521
Pension plan intangible asset	184,385			184,385
Knowles Trust Fund cash	-	58,385		58,385
Knowles Trust Fund investments	-	1,881,160		1,881,160
Capital campaign cash accounts	220,415			220,415
Capital campaign investments	-			-
Long term portion of promises to give	-			-
Total assets	\$ 13,502,761	\$ 1,939,545	\$ 5,600	\$ 15,447,906
<u>LIABILITIES AND NET ASSETS</u>				
Accounts payable	\$ 103,568			\$ 103,568
Accrued expenses	144,690			144,690
Accrued pension plan liability	222,036			222,036
Deferred revenue	92,068		4,022	96,090
Total current liabilities	562,362	-	4,022	566,384
Conservator trust funds	134,521			134,521
Total liabilities	696,883	-	4,022	700,905
Net Assets:				
Undesignated	11,471,413		1,578	11,472,991
Board designated	200,000			200,000
Total unrestricted net assets	11,671,413	-	1,578	11,672,991
Temporarily restricted	1,134,465			1,134,465
Permanently restricted	-	1,939,545		1,939,545
Total net assets	12,805,878	1,939,545	1,578	14,747,001
Total liabilities and net assets	\$ 13,502,761	\$ 1,939,545	\$ 5,600	\$ 15,447,906

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

SENIOR CITIZENS, INC.
SENIOR CENTER FOR THE ARTS, INC. AND J.B. KNOWLES TRUST
SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS
JUNE 30, 2005

	<u>Agency</u>	<u>Knowles Trust</u>	<u>Total 2005</u>
<u>ASSETS</u>			
Cash - unrestricted	\$ 102,555		\$ 102,555
Cash - temporarily restricted	183,511		183,511
Total operating cash	286,066	-	286,066
Investments	103,095		103,095
Accounts receivable	142,927		142,927
Promises to give, current portion	574,580		574,580
Prepaid expenses	9,600		9,600
Total current assets	1,116,268	-	1,116,268
Land, building, and equipment	12,284,790		12,284,790
Accumulated depreciation	(2,692,471)		(2,692,471)
Net land, building, and equipment	9,592,319	-	9,592,319
Other assets: Conservator trust accounts	35,860		35,860
Pension plan intangible asset	157,216		157,216
Knowles Trust Fund cash	-	65,246	65,246
Knowles Trust Fund investments	-	1,936,201	1,936,201
Capital campaign cash accounts	395,696		395,696
Capital campaign investments	1,800,000		1,800,000
Long term portion of promises to give	24,927		24,927
Total assets	\$ 13,122,286	\$ 2,001,447	\$ 15,123,733
<u>LIABILITIES AND NET ASSETS</u>			
Accounts payable	84,224		\$ 84,224
Accrued expenses	80,299		80,299
Accrued pension plan liability	155,618		155,618
Deferred revenue	15,756		15,756
Total current liabilities	335,897	-	335,897
Conservator trust funds	35,860		35,860
Total liabilities	371,757	-	371,757
Net Assets:			
Undesignated	9,571,815		9,571,815
Board designated	200,000		200,000
Total unrestricted net assets	9,771,815	-	9,771,815
Temporarily restricted	2,978,714		2,978,714
Permanently restricted	-	2,001,447	2,001,447
Total net assets	12,750,529	2,001,447	14,751,976
Total liabilities and net assets	\$ 13,122,286	\$ 2,001,447	\$ 15,123,733

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

SENIOR CITIZENS, INC.
SENIOR CENTER FOR THE ARTS, INC. AND J.B. KNOWLES TRUST
SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN
UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

<u>PUBLIC SUPPORT AND REVENUE</u>	Agency Operations	Capital Campaign	Center for the Arts	Total 2006
Special events	\$ 342,398	\$ -	\$ 87,225	\$ 429,623
Contributions	758,383	41,606	19,240	819,229
Sub-total	1,100,781	41,606	106,465	1,248,852
United Way	33,647	-		33,647
Membership dues	139,523	-		139,523
In kind support	132,794	-		132,794
Service fees	571,118	-		571,118
Investment income	131,019	-		131,019
Gain on disposal	1,000	-		1,000
Other income	9,468	-		9,468
Net assets released from restrictions:	-			
Principal transfer	61,902	-		61,902
Satisfaction of program restrictions: Awards	843,526	-	32,319	875,845
Satisfaction of timing restrictions: United Way	474,155	-		474,155
Senior Citizens Foundation	112,847	-		112,847
Capital Campaign	472,947	2,085,172		2,558,119
Sub-total of satisfaction of timing restrictions	1,059,949	2,085,172		3,145,121
Total public support and revenue	4,084,727	2,126,778	138,784	6,350,289
<u>EXPENSES</u>				
Program services *	3,274,499	41,606	137,206	3,453,311
Support Services	929,467	66,335		995,802
Total expenses	4,203,966	107,941	137,206	4,449,113
Increase (decrease) in unrestricted net assets	(119,239)	2,018,837	1,578	1,901,176
Unrestricted net assets, beginning	2,996,431	6,775,384	-	9,771,815
Unrestricted net assets, end of year	\$ 2,877,192	\$ 8,794,221	\$ 1,578	\$ 11,672,991

Capital Campaign reimbursement to operations consists of:

Transfer of endowment to Senior Citizens Foundation	\$ 66,335
Capital Campaign direct expenses this year	41,606
Total Capital Campaign expenses this year	107,941
Capital Campaign capitalized expenditures this year	2,018,837
Total amount reimbursed to operations	<u>\$ 2,126,778</u>

Capital Campaign portion of ending unrestricted net assets consists of:

City of Brentwood in kind donation of land for center	\$ 375,000
Capital Campaign capitalized expenditures cumulative	8,419,221
Capital Campaign portion of ending unrestricted net assets	<u>\$ 8,794,221</u>

Note *: Operating program services expense includes \$132,794 in kind and \$398,421 depreciation expense.

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

SENIOR CITIZENS, INC.
SENIOR CENTER FOR THE ARTS, INC. AND J.B. KNOWLES TRUST
SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN
UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

<u>PUBLIC SUPPORT AND REVENUE</u>	Agency <u>Operations</u>	Capital <u>Campaign</u>	Total <u>2005</u>
Special events	\$ 488,097	\$ -	\$ 488,097
Contributions	726,987	93,042	820,029
Sub-total	1,215,084	93,042	1,308,126
United Way	27,340	-	27,340
Membership dues	126,023	-	126,023
In kind support	112,063	-	112,063
Service fees	513,692	-	513,692
Investment income	192,453	-	192,453
Gain on disposal	500	-	500
Other income	5,978	-	5,978
Net assets released from restrictions:			
Principal transfer	(73,654)	-	(73,654)
Satisfaction of program restrictions: Awards	831,389	-	831,389
Satisfaction of timing restrictions:			
United Way	483,805	-	483,805
Senior Citizens Foundation	97,945	-	97,945
Contributions and Capital Campaign	236,852	98,822	335,674
Sub-total of satisfaction of timing restrictions	818,602	98,822	917,424
Total public support and revenue	3,769,470	191,864	3,961,334
 <u>EXPENSES</u>			
Program services *	3,205,954	93,042	3,298,996
Support Services	967,656	98,822	1,066,478
Total expenses	4,173,610	191,864	4,365,474
Increase (decrease) in unrestricted net assets	(404,140)	-	(404,140)
Unrestricted net assets, beginning	3,400,571	6,775,384	10,175,955
Unrestricted net assets, end of year	\$ 2,996,431	\$ 6,775,384	\$ 9,771,815

Capital Campaign reimbursement to operations consists of:

Transfer of endowment to Senior Citizens Foundation	\$ 93,042
Agency operating expenses	24,736
Capital Campaign direct expenses this year	65,741
Capital Campaign indirect expenses this year	8,345
Total Capital Campaign expenses this year	191,864
Capital Campaign capitalized expenditures this year	-
Total amount reimbursed to operations	<u>\$ 191,864</u>

Capital Campaign portion of ending unrestricted net assets consists of:

City of Brentwood in kind donation of land for center	\$ 375,000
Capital Campaign capitalized expenditures cumulative	6,400,384
Capital Campaign portion of ending unrestricted net assets	<u>\$ 6,775,384</u>

Note *: Operating program services expense includes \$121,113 in kind and \$379,044 depreciation expense.

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

JOE OSTERFELD, CPA

CERTIFIED PUBLIC ACCOUNTANT

710 NORTH MAIN STREET ~ SUITE A ~ PO BOX 807 ~ COLUMBIA, TN 38402-0807
TELEPHONE: 931-388-7144 ~ FAX: 931-388-7239

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors

Senior Citizens, Inc., Senior Center for the Arts, Inc. and J.B. Knowles Trust

174 Rains Avenue

Nashville, TN 37203

I have audited the financial statements of position of Senior Citizens, Inc. (a nonprofit organization), Senior Center for the Arts, Inc. (a nonprofit organization), and the J. B. Knowles Trust (a charitable trust) as of and for the years ended June 30, 2006 and 2005, and have issued my report thereon dated September 11, 2006. I conducted my 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.

Compliance

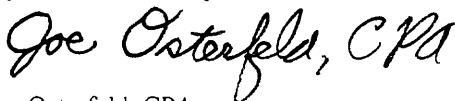
As a part of obtaining reasonable assurance about whether Senior Citizens, Inc.'s Senior Center for the Arts, Inc.'s, and the J.B. Knowles Trust's financial statements are free from material misstatement, I performed tests of their compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Senior Citizens, Inc.'s Senior Center for the Arts, Inc.'s, and the J.B. Knowles Trust's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of internal control over financial reporting would not necessarily disclose all matters of the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the Board of Directors; management; federal awarding agencies; the Comptroller of the Treasury, State of Tennessee, Division of Municipal Audit; and other grantors. However, this report is a matter of public record, and its distribution is not limited.



Joe Osterfeld, CPA
Columbia, Tennessee
September 11, 2006

JOE OSTERFELD, CPA

CERTIFIED PUBLIC ACCOUNTANT

710 NORTH MAIN STREET ~ SUITE A ~ PO BOX 807 ~ COLUMBIA, TN 38402-0807

TELEPHONE: 931-388-7144 ~ FAX: 931-388-7239

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Senior Citizens, Inc., Senior Center for the Arts, Inc., and the J.B. Knowles Trust
174 Rains Avenue
Nashville, TN 37203

Compliance

I have audited the compliance of Senior Citizens, Inc. (a nonprofit organization), Senior Center for the Arts, Inc. (a nonprofit organization), and the J. B. Knowles Trust (a charitable trust) with the types of compliance requirements described in the "US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2006. Senior Citizens, Inc.'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 Organizations' managements. My responsibility is to express an opinion on the Organizations' compliance based upon my audit.

I have conducted my audit 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 I 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 Organizations' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Organizations' compliance with those requirements.

In my opinion, Senior Citizens, Inc., Senior Center for the Arts, Inc., and the J.B. Knowles Trust complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control over Compliance

The managements of the Organizations are responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Senior Citizens, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the Board of Directors; management; federal awarding agencies; the Comptroller of the Treasury, State of Tennessee, Division of Municipal Audit; and other grantors. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink that reads "Joe Osterfeld, CPA". The signature is written in a cursive style with a large, stylized "J" and "O".

Joe Osterfeld, CPA
Columbia, Tennessee
September 11, 2006