

**OASIS CENTER, INC.**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY DATA**

**June 30, 2006**

# OASIS CENTER, INC.

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CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Oasis Center, Inc.  
Nashville, Tennessee

We have audited the accompanying statement of financial position of Oasis Center, Inc. (a nonprofit organization) as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oasis Center, Inc. as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2006, on our consideration of Oasis Center Inc.'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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal and state 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* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Fraser, Dean & Howard, PLLC

September 11, 2006

**OASIS CENTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2006**

**Assets**

Current assets:	
Cash and cash equivalents	\$ 211,088
Receivable from grantor agencies	167,950
Unconditional promises to give, net	175,540
Other	<u>26,295</u>
Total current assets	580,873
Land, building and equipment, net	<u>1,198,423</u>
Total assets	<u><u>\$1,779,296</u></u>

**Liabilities and Net Assets**

Current liabilities:	
Accounts payable	\$ 93,136
Accrued expenses	127,354
Deferred revenue	45,000
Current portion of long-term debt	<u>20,962</u>
Total current liabilities	286,452
Long-term debt, less current portion	<u>315,982</u>
Total liabilities	<u>602,434</u>
Net assets:	
Unrestricted	1,001,322
Temporarily restricted	<u>175,540</u>
Total net assets	<u>1,176,862</u>
Total liabilities and net assets	<u><u>\$1,779,296</u></u>

See accompanying notes.

**OASIS CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support:			
Federal and state grants	\$ 1,261,495	\$ -	\$ 1,261,495
United Way	424,663	-	424,663
Other grants	483,418	159,940	643,358
Contributions	491,167	-	491,167
Other	4,230	-	4,230
Program fees	19,116	-	19,116
In-kind contributions	132,095	-	132,095
Investment income	3,858	-	3,858
Net assets released from restrictions	111,613	(111,613)	-
	<u>2,931,655</u>	<u>48,327</u>	<u>2,979,982</u>
Total revenue and other support			
	<u>2,931,655</u>	<u>48,327</u>	<u>2,979,982</u>
Expenses:			
Program services:			
Residential and crisis services	1,164,729	-	1,164,729
Counseling services	362,830	-	362,830
Prevention services	548,909	-	548,909
Youth leadership development services	361,898	-	361,898
	<u>2,438,366</u>	<u>-</u>	<u>2,438,366</u>
Total program services			
	<u>2,438,366</u>	<u>-</u>	<u>2,438,366</u>
Support services:			
Management and general	383,957	-	383,957
Fundraising	178,196	-	178,196
	<u>562,153</u>	<u>-</u>	<u>562,153</u>
Total support services			
	<u>562,153</u>	<u>-</u>	<u>562,153</u>
Total expenses			
	<u>3,000,519</u>	<u>-</u>	<u>3,000,519</u>
Change in net assets	(68,864)	48,327	(20,537)
Net assets, beginning of year, as restated	1,070,186	127,213	1,197,399
Net assets, end of year	<u>\$ 1,001,322</u>	<u>\$ 175,540</u>	<u>\$ 1,176,862</u>

See accompanying notes.

**OASIS CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2006**

	Program Services				Youth				Support Services			
	Residential and Crisis Services	Counseling Services	Prevention Services	Leadership Development Services	TOTAL		Management and General	Fundraising	TOTAL SUPPORT SERVICES	Total Expenses		
					PROGRAM SERVICES	SERVICES						
Salaries	\$ 687,157	\$ 203,433	\$ 399,087	\$ 191,548	\$ 1,481,225	\$ 1,481,225	\$ 251,009	\$ 76,642	\$ 327,651	\$ 1,808,876		
Fringe benefits	119,988	29,873	59,826	30,926	240,613	240,613	39,153	10,924	50,077	290,690		
In-kind contributions	130,765	110	150	-	131,025	131,025	70	1,000	1,070	132,095		
Grants and subcontracts	5,000	79,673	-	27,831	112,504	112,504	-	-	-	112,504		
Supplies	41,568	3,102	14,645	21,968	81,283	81,283	9,567	1,678	11,245	92,528		
Depreciation	53,906	7,672	11,975	8,882	82,435	82,435	4,087	1,476	5,563	87,998		
Professional fees	6,032	18,518	12,520	12,749	49,819	49,819	21,862	766	22,628	72,447		
Special events	-	-	-	-	-	-	-	68,320	68,320	68,320		
Communications	22,302	3,161	6,745	14,406	46,614	46,614	11,036	8,985	20,021	66,635		
Specific assistance	13,357	-	11,673	29,525	54,555	54,555	1,967	-	1,967	56,522		
Utilities	21,248	6,122	8,102	4,704	40,176	40,176	3,225	695	3,920	44,096		
Equipment	15,825	3,586	5,891	7,017	32,319	32,319	6,712	2,875	9,587	41,906		
Maintenance	24,685	2,790	4,073	3,542	35,090	35,090	2,037	311	2,348	37,438		
Insurance	11,704	2,660	4,833	2,397	21,594	21,594	4,035	472	4,507	26,101		
Interest	10	-	-	36	46	46	21,781	-	21,781	21,827		
Travel	5,907	316	6,731	3,808	16,762	16,762	2,470	1,077	3,547	20,309		
Training	1,725	1,395	1,675	1,586	6,381	6,381	2,177	1,750	3,927	10,308		
Miscellaneous	3,550	419	983	973	5,925	5,925	2,769	1,225	3,994	9,919		
	<u>\$ 1,164,729</u>	<u>\$ 362,830</u>	<u>\$ 548,909</u>	<u>\$ 361,898</u>	<u>\$ 2,438,366</u>	<u>\$ 2,438,366</u>	<u>\$ 383,957</u>	<u>\$ 178,196</u>	<u>\$ 562,153</u>	<u>\$ 3,000,519</u>		

See accompanying notes.

**OASIS CENTER, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2006**

Cash flows from operating activities:	
Change in net assets	\$ (20,537)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	87,998
Increase in receivable from grantor agencies	(27,659)
Increase in unconditional promises to give	(48,328)
Increase in other assets	(1,256)
Increase in accounts payable	10,741
Increase in deferred revenue	45,000
Increase in accrued expenses	<u>18,442</u>
Net cash provided by operating activities	<u>64,401</u>
Cash flows from investing activities:	
Purchase of fixed assets	<u>(56,030)</u>
Net cash used in investing activities	<u>(56,030)</u>
Cash flows from financing activities:	
Payments on long-term debt	<u>(19,774)</u>
Net cash used in financing activities	<u>(19,774)</u>
Net decrease in cash and cash equivalents	(11,403)
Cash and cash equivalents, beginning of year, as restated	<u>222,491</u>
Cash and cash equivalents, end of year	<u><u>\$ 211,088</u></u>
Supplemental disclosure of cash flow information:	
Interest paid	<u><u>\$ 21,827</u></u>

See accompanying notes.



**OASIS CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**General**

Oasis Center, Inc. (the “Center”) is a nonprofit organization that provides comprehensive youth services, including an emergency shelter, counseling, independent living, employment training, and other educational opportunities for teens in Middle Tennessee. The Center is funded by government grants, United Way, private donations, and fees for service.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (“SFAS”) No. 117, *Financial Statements for Not-for-Profit Organizations*. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

**Unrestricted net assets** – Net assets that are not subject to donor-imposed stipulations.

**Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Estimates**

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

**Unconditional Promises to Give**

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

**OASIS CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Unconditional Promises to Give (Continued)**

The Center uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Management believes that unconditional promises to give are fully collectible as of June 30, 2006. As a result, no allowance for uncollectible accounts has been provided.

**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.

**Income Taxes**

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income tax has been made.

**Cash and Cash Equivalents**

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

**NOTE 2 – LAND, BUILDING AND EQUIPMENT**

Land, building and equipment are recorded at cost at the date of purchase or fair market value at the date of gift. Depreciation of building and equipment is provided over the estimated useful lives of the respective assets (ranging from three to thirty years) on a straight-line basis. The Center generally capitalizes an asset if its life is estimated to be one year or greater and the cost is \$500 or greater.

The balances of the major classes of land, building and equipment are as follows at June 30, 2006:

Land	\$ 249,412
Building, improvements and leaseholds	1,566,182
Equipment	384,922
Vehicles	69,716
Artwork	<u>18,500</u>
	2,288,732
Less: Accumulated depreciation	<u>(1,090,309)</u>
	<u><u>\$ 1,198,423</u></u>

**OASIS CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

**NOTE 3 – LINE OF CREDIT**

The Center has available a \$100,000 revolving line of credit with a commercial bank. The agreement provides for interest to accrue at the bank's index rate. The note has a maturity date of October 18, 2007. No borrowings were outstanding under the agreement at June 30, 2006.

**NOTE 4 – LONG-TERM DEBT**

Long-term debt is as follows at June 30, 2006:

Mortgage note payable to bank in monthly principal and interest installments of \$3,343, secured by land and building, interest at 5.85% maturing January 2010. The mortgage note contains various restrictive covenants including minimum cash flow coverage, tangible net worth and working capital ratios.	\$ 336,944
Less amount shown as current	<u>(20,962)</u>
Long-term portion of note payable	<u>\$ 315,982</u>

Annual principal maturities of the long-term debt are as follows:

<u>Year Ending June 30,</u>	
2007	\$ 20,962
2008	22,222
2009	23,557
2010	24,973
2011	26,474
Thereafter	<u>218,756</u>
	<u>\$ 336,944</u>

**NOTE 5 – EMPLOYEE BENEFIT PLAN**

The Center has a 401(k) retirement plan for administrative employees who have reached age 21 and have been employed for six months. The plan provides for discretionary employer matching contributions. There were no discretionary matching contributions made during the year ended June 30, 2006.

**OASIS CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

**NOTE 6 – ACCRUED EXPENSES**

Employees of the Center are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation, but not for accumulated sick leave. Accordingly, vacation pay is accrued and recognized as an expense in the period earned by employees. Accrued vacation pay included in accrued expenses was \$59,569 at June 30, 2006.

**NOTE 7 – IN-KIND CONTRIBUTIONS**

In-kind contributions consist of the following for the year ended June 30, 2006:

Clothing	\$ 115,460
Other	8,345
Supplies	4,530
Donated services	2,760
Interior design contributions	<u>1,000</u>
	<u>\$ 132,095</u>

**NOTE 8 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of the following at June 30, 2006:

Receivable from United Way	\$ 15,600
Foundation, corporate and other	<u>159,940</u>
	<u>\$ 175,540</u>

**NOTE 9 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2006:

United Way funding for subsequent periods	\$ 15,600
Contributions received for future periods	<u>159,940</u>
	<u>\$ 175,540</u>

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

The Center receives a substantial amount of its support from government grants and United Way. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on the Center's programs and activities. In addition, the funding received by the Center from governmental agencies is subject to audit and retroactive adjustment.

**OASIS CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

**NOTE 11 – MERGER**

Effective July 1, 2005, the Center completed a merger with Community Impact! Nashville (“Community”). Community was a neighborhood based community development nonprofit organization in Nashville, Tennessee. The Center assumed all assets and liabilities of Community with the Center being the surviving Corporation. The merger was accounted for as a pooling of interests and, accordingly, beginning net assets of the Center have been restated to include the assets and liabilities of Community. At June 30, 2005 Community had assets and liabilities of approximately \$94,520 and \$30,408, respectively (unaudited). For the year ended June 30, 2005, Community had revenues and expenses of approximately \$195,546 and \$303,346, respectively (unaudited).

## **SUPPLEMENTARY DATA**

**OASIS CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year ended June 30, 2006**

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Balance June 30, 2005</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2006</u>
<b>FEDERAL AWARDS</b>							
U.S. Department of Health and Human Services	Runaway and Homeless Youth Program Basis Shelter	93.623	G-04CY0758/01	\$ -	\$ 33,337	\$ 33,337	\$ -
		93.623	G-04CY0758/02	-	189,155	166,655	(22,500)
Total for CFDA No. 93.623+				-	222,492	199,992	(22,500)
U.S. Department of Health and Human Services	Runaway and Homeless Youth Program Street Outreach	93.557	G-04YO0697/02	-	100,000	100,000	-
Total for CFDA No. 93.557				-	100,000	100,000	-
U.S. Department of Health and Human Services	Transitional Living Program for Runaway Homeless Youth	93.550	G-04CX0629/03	-	66,671	66,671	-
		93.550	G-04CX0629/04	-	155,829	133,329	(22,500)
Total for CFDA No. 93.550				-	222,500	200,000	(22,500)
U.S. Department of Health Passed Through: TN Dept. of Health	Alcohol and Drug Prevention Block Grant	93.959	GR-06-027891-01	-	187,180	205,953	18,773
		93.959	GR-05-16571-01	40,780	40,780	-	-
Total for CFDA No. 93.959*+				40,780	227,960	205,953	18,773
Federal Emergency Management Agency	Disaster Assistance Program	83.523	24-7652-00	-	5,960	5,960	-
Total Federal Emergency Management Agency				-	5,960	5,960	-
U.S. Department of Agriculture Passed Through: TN Department of Agriculture	National School Lunch Program	10.555	4703759753	553	553	-	-
	National School Lunch Program	10.555	4703759753	-	2,852	2,859	7
Total CFDA Program 10.555*				553	3,405	2,859	7
	National School Breakfast	10.553	4703759753	346	346	-	-
	National School Breakfast	10.553	4703759753	-	2,013	1,997	16
Total CFDA Program 10.553*				346	2,359	1,997	16
Total U.S. Department of Agriculture				899	5,764	4,856	(9)

**OASIS CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
(Continued from Page 12)  
Year ended June 30, 2006

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Balance June 30, 2005</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2006</u>
<b>FEDERAL AWARDS (Continued)</b>							
U.S. Department of Housing & Urban Development (HUD) Passed Through: Metro Development & Housing Agency	MDHA - Emergency Shelter Program	14.231	N/A	1,200	16,309	15,109	-
	MDHA - Emergency Shelter Program	14.231	N/A	-	1,569	1,569	-
	MDHA - HUD Supportive Housing Program	14.235	N/A	217	8,504	8,287	-
	MDHA - HUD Supportive Housing Program	14.235	N/A	-	15,319	17,069	1,750
Total U.S. Dept. of Housing & Urban Development*				1,417	41,701	42,034	1,750
U.S. Department of Justice Passed Through: TN Department of Finance and Administration	Victims of Crime Act (VOCA)	16.575	Z00099321-02	2,523	2,523	-	-
	Victims of Crime Act (VOCA)	16.575	Z00099321-03	-	38,667	42,300	3,633
Total U.S. Department of Justice*				2,523	41,190	42,300	3,633
Commission on National Community Service Passed Through: TN Department of Finance and Administration	Americorps	94.006	Z05022871-01	11,010	11,010	-	-
	Americorps	94.006	Z05025093-03	-	104,501	130,115	25,614
Total Commission on National Community Service*				11,010	115,511	130,115	25,614
Commission on Children and Youth Passed Through: TN Commission on Children and Youth	TN Commission on Children and Youth	N/A	GR-06-17574-00	-	25,195	36,955	11,760
Total Commission on National Community Service*				-	25,195	36,955	11,760
Total Federal Awards				56,629	1,008,273	968,165	16,521



**OASIS CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
(Continued from Page 13)  
Year ended June 30, 2006

Federal Grantor/Pass-Through Grantor	Program Name	CFDA Number	Contract Number	Balance June 30, 2005	Cash Receipts	Expenditures	Balance June 30, 2006
<b>STATE AWARDS</b>							
TN Department of Health	Alcohol and Drug Prevention Block Grant	N/A	GR-06-027891-01#+	-	50,522	54,747	4,225
Administrative Office of the Courts		N/A	N/A	3,568	10,644	7,076	-
Administrative Office of the Courts		N/A	N/A	-	32,612	35,703	3,091
TN Department of Children's Services		N/A	N/A	-	-	4,060	4,060
Metropolitan Government of Nashville and Davidson County	Family Retreat Weekend ADSEP Metro Parks & Recreation	N/A	N/A	-	5,636	5,636	-
		N/A	N/A	-	34,947	80,000	45,053
		N/A	N/A	20,000	20,000	50,000	50,000
Total State Awards				23,568	154,361	237,222	106,429
Total Federal and State Awards				\$ 80,197	\$ 1,162,634	\$ 1,205,387	\$ 122,950

\*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 AND STATE AWARDS**

**NOTE 1 - BASIS OF ACCOUNTING**

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



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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**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**

The Board of Directors  
Oasis Center, Inc.  
Nashville, Tennessee

We have audited the financial statements of Oasis Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 11, 2006. 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**

In planning and performing our audit, we considered Oasis Center, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Oasis Center, Inc.'s 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*.

We noted certain other matters that we reported to management of Oasis Center, Inc. in a separate letter dated September 11, 2006.

This report is intended solely for the information and use of the finance committee, management, board of directors and 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.

*Frasier Dean & Howard PLLC*

September 11, 2006



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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors  
Oasis Center, Inc.  
Nashville, Tennessee

**Compliance**

We have audited the compliance of Oasis Center, Inc. (a nonprofit organization) with the types of compliance requirements described in the *U.S. 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. Oasis Center, 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 Oasis Center, Inc.'s management. Our responsibility is to express an opinion on Oasis Center, Inc.'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 Oasis Center, Inc.'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 Oasis Center, Inc.'s compliance with those requirements.

In our opinion, Oasis Center, Inc. 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 management of Oasis Center, Inc. is 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 our audit, we considered Oasis Center, 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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our 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 reportable 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 caused by error or fraud that would be material in relation to a major 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the finance committee, management, board of directors and 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.

*Frasin Dean & Howard, PLLC*

September 11, 2006

**OASIS CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**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 considered to be material weakness(es)? ☐ 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 considered to be material weakness(es)? ☐ Yes ☒ None reported

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

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**

93.959

**Name of Federal Program**

Alcohol and Drug Prevention Block Program

93.623

Runaway and Homeless Youth Program  
Basic Shelter

Dollar threshold used to distinguish between  
Type A and type B programs

\$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

**Section II – Financial Statement Findings**

A. None

**OASIS CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Year ended June 30, 2006**

**Section III – Federal Award Findings and Questioned Costs**

A.           None

**OASIS CENTER, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year ended June 30, 2005**

**Department of Health and Human Services Block Grants for Prevention and Treatment of Substance Abuse – CFDA No. 93.959**

	<u><b>Questioned Costs</b></u>
<b>2005-1</b> <u><b>Statement of Condition:</b></u> Individual line items in the program budget should be revised if over the threshold amount set by the Federal Government.	\$ 3,267
 <u><b>Criteria:</b></u> Salaries, benefits and travel/conference and meetings should always be revised no matter what the increase(decrease) is from budget. Professional fees, capital purchases, indirect/admin costs or other line items should be revised when the increase(decrease) from budget is greater than \$1,000.	
 <u><b>Effect of Condition:</b></u> Costs could be disallowed.	
 <u><b>Cause of Condition:</b></u> We found that the salaries, benefits, and equipment rental line items were over the budget and there was no documented budget revision.	
 <u><b>Auditor's Recommendation:</b></u> We recommend that a budget revision should be obtained in writing to document any changes from original budget.	
 <u><b>Grantee Response:</b></u> We agree with the finding. We will attempt to obtain approval in writing for revisions to program budgets.	
 <u><b>Current Status:</b></u> The Organization adopted the recommendation during fiscal year 2006.	