

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

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

June 30, 2011

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

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INDEPENDENT AUDITOR'S REPORT

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FiftyForward, Senior Center for the Arts, Inc. and The J. B. Knowles Trust as of June 30, 2011, 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.

As discussed in Note 13, cash and net assets at June 30, 2010 have been restated to correct certain errors.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011, on our consideration of FiftyForward, Senior Center for the Arts, Inc. and The J. B. Knowles Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Frasier, Dean & Howard, PLLC

November 14, 2011

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

Assets

Current assets:	
Cash	\$ 844,385
Certificates of deposit	1,029,005
Investments	30,572
Accounts receivable	129,041
Grants receivable	204,288
Promises to give	694,462
Prepaid expenses	26,314
Total current assets	<u>2,958,067</u>
Land, building and equipment, net	8,246,695
Conservator trust funds	776,022
Prepaid rent - Bellevue Center	1,735,485
Knowles Trust Fund cash	11,367
Knowles Trust Fund investments	1,752,604
Total assets	<u><u>\$ 15,480,240</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 139,119
Accrued expenses	153,200
Accrued pension plan liability	269,502
Deferred revenue	172,279
Total current liabilities	<u>734,100</u>
Conservator trust funds	776,022
Total liabilities	<u>1,510,122</u>
Net assets:	
Unrestricted - undesignated	9,942,044
Temporarily restricted	2,264,103
Permanently restricted	1,763,971
Total net assets	<u>13,970,118</u>
Total liabilities and net assets	<u><u>\$ 15,480,240</u></u>

See accompanying notes.

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

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

See accompanying notes.

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

	Foster Grand Parents	Adult Daycare	Program Services										Support Services					Total Expenses			
			Living At Home*	RSVP	College Grove	Donelson	Bordeaux	Brentwood Martin	J. B. Knowles Hart Bldg	Turner Center	Madison	Fifty Forward Travel	Music For Seniors	Center for the Arts	Care Team	Total	Comm		Capital Campaign	Fund Raising**	Mgmt and General
\$ 121,043	\$ 54,684	\$ 341,023	\$132,404	\$ 68,647	\$ 90,409	\$ 51,764	\$ 102,963	\$121,380	\$ 87,107	\$113,163	\$ 10,805	\$ -	\$ 24,606	\$38,765	\$ 1,358,763	\$ 86,905	\$ 19,332	\$ 145,206	\$ 344,422	\$ 595,865	\$ 1,954,628
12,339	2,250	26,349	8,453	47,650	71,924	9,826	70,110	77,869	91,080	88,683	1,371	1	21,007	23	528,935	3,618	971	8,072	17,370	30,031	558,966
2,693	1,693	35,125	3,946	13,067	35,125	4,262	15,591	29,201	27,669	10,259	126,847	60,995	130,468	-	463,003	8,499	325	5,480	24,359	38,663	501,666
22,157	3,703	45,851	19,578	11,424	39,307	8,766	49,050	23,860	10,902	33,189	500	965	70,832	128	340,212	935	80	29,269	3,410	33,694	373,906
103	281,197	62,325	11,663	66	81	45	93	101	128	346	12	-	-	-	356,160	88	17	133	301	539	356,699
29,665	10,092	90,654	20,248	16,433	11,754	3,534	21,089	17,058	5,998	22,113	490	-	1,288	6,591	257,007	18,441	5,663	23,453	44,845	92,402	349,409
8,966	3,937	24,663	9,847	5,102	6,842	3,915	6,646	9,011	6,596	8,529	828	-	10,651	3,178	108,711	9,409	1,461	10,958	26,298	48,126	156,837
17,243	2,067	18,584	2,736	3,906	5,217	6,634	3,130	3,019	5,039	8,738	81	-	4,786	1,603	82,783	997	-	290	883	2,170	84,953
84	446	639	5,218	417	1,057	97	2,770	1,137	2,036	2,306	369	158	14,709	-	31,443	36,838	15	11,592	1,163	49,608	81,051
1,926	1,331	9,736	1,881	2,200	7,846	1,911	7,649	2,982	98	7,791	2	979	-	418	46,750	782	184	2,183	3,437	6,586	53,336
823	550	2,451	861	1,957	18,464	540	1,429	2,309	820	6,076	47	14	1,170	-	37,511	310	69	8,147	5,438	13,964	51,475
125	697	1,832	2,321	1,203	665	156	981	1,414	249	2,571	377	165	4,971	-	17,727	9,119	20	3,515	2,325	14,979	32,706
38	12,000	7,510	226	1,021	2,797	3,411	39	4,587	(6)	99	-	-	21,752	-	53,474	-	-	(54)	(20,836)	(20,890)	32,584
313	334	1,910	671	308	532	50	892	281	346	1,705	13	-	616	75	8,046	1,601	39	2,216	8,849	12,705	20,751
406	2,133	3,944	2,922	253	1,143	342	655	341	692	1,267	19	-	65	70	14,252	439	28	1,487	2,017	3,971	18,223
512	566	1,353	583	253	310	237	1,466	563	366	1,725	46	77	95	-	8,152	360	66	509	3,439	4,374	12,526
218,436	377,680	673,949	223,558	173,907	262,610	92,415	284,553	295,113	239,120	308,360	141,807	63,354	307,016	50,851	3,712,929	178,341	28,270	232,456	467,720	926,787	4,639,716
12,539	-	-	-	536	68,623	8,337	71,629	95,237	11,628	70,926	-	-	1,236	-	340,691	-	-	-	-	-	340,691
\$230,975	\$ 377,680	\$ 673,949	\$223,558	\$174,443	\$331,233	\$ 100,752	\$356,182	\$390,350	\$250,748	\$379,486	\$141,807	\$63,354	\$308,252	\$50,851	\$ 4,053,020	\$178,341	\$28,270	\$232,456	\$ 467,720	\$ 926,787	\$ 4,980,407

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

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

See accompanying notes.

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

Cash flows from operating activities:	
Change in net assets	\$ (161,100)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	340,691
Amortization of prepaid lease	63,084
Realized and unrealized gains on investments, net	(357,681)
Changes in operating assets and liabilities:	
Certificates of deposit	343,703
Accounts receivable	(10,885)
Grants receivable	120,488
Promises to give	(36,545)
Prepaid expenses	18,171
Accounts payable	24,923
Accrued expenses	(8,334)
Accrued pension plan liability	(48,890)
Deferred revenue	(57,054)
	<hr/>
Net cash provided by operating activities	230,571
	<hr/>
Cash flows from investing activities:	
Purchase of equipment	(52,188)
Proceeds from sale of investments	9,838
Purchase of investments	(626)
	<hr/>
Net cash used in investing activities	(42,976)
	<hr/>
Cash flows from financing activities:	
Knowles Trust Fund proceeds	372,824
Knowles Trust Fund purchases	(372,824)
Distributions from Knowles Trust Fund	100,000
	<hr/>
Net cash provided by financing activities	100,000
	<hr/>
Net increase in cash	287,595
Cash - beginning of year	556,790
	<hr/>
Cash - end of year	<u><u>\$ 844,385</u></u>

See accompanying notes.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activity

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

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

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

Principles of Consolidation

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

Financial Statement Presentation

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

Unrestricted net assets

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Cash and Cash Equivalents

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

Unconditional Promises to Give

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

Accounts Receivable

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

Land, Building and Equipment

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

FiftyForward and SCA are a not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Trust is a charitable trust and is exempt from federal income taxes. Accordingly, no provision for income taxes has been made.

The Organization follows FASB ASC guidance concerning the accounting for income taxes recognized in an entity’s consolidated financial statements. This interpretation prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The guidance must be applied to all existing tax positions upon initial adoption. The Organization has not recognized any tax related interest and penalties in the accompanying consolidated financial statements. Federal tax years that remain open for examination include the years ended June 30, 2008 through June 30, 2011.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

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

Deferred Revenue

Income received from advance service and program fees are deferred and recognized when earned.

Expense Allocation

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

Restricted Endowment Funds

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

Subsequent Events

The Organization evaluated subsequent events through November 14, 2011, when these consolidated financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the consolidated statement of financial position date but prior to the filing of this report that would have a material impact on the accompanying consolidated financial statements.

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

NOTE 2 – FAIR VALUE OF INVESTMENTS

The Organization has adopted the provisions of the Fair Value Measurement Topic of the FASB ASC. This guidance establishes a framework for measuring fair value for financial assets and financial liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

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

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

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

NOTE 2 – FAIR VALUE OF INVESTMENTS (Continued)

Investments of the Organization are stated at fair value as of June 30, 2011 and consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Moderate allocation	\$ 11,716	\$ -	\$ -	\$ 11,716
High yield bond	6,526	-	-	6,526
Large blend	4,967	-	-	4,967
Large growth	4,074	-	-	4,074
Diversified emerging markets	<u>3,289</u>	<u>-</u>	<u>-</u>	<u>3,289</u>
Total mutual funds	<u>30,572</u>	<u>-</u>	<u>-</u>	<u>30,572</u>
Common trust funds (held in J. B. Knowles Trust):				
Equity funds	-	973,756	-	973,756
Fixed income funds	-	643,536	-	643,536
Multi-strategy funds	<u>-</u>	<u>135,312</u>	<u>-</u>	<u>135,312</u>
Total common trust funds	<u>-</u>	<u>1,752,604</u>	<u>-</u>	<u>1,752,604</u>
Total investments	<u>\$ 30,572</u>	<u>\$ 1,752,604</u>	<u>\$ -</u>	<u>\$ 1,783,176</u>

The following schedule summarizes the investment return at June 30, 2011:

Interest and dividends	\$ 74,106
Realized and unrealized gains	<u>308,548</u>
	<u>\$ 382,654</u>

NOTE 3 – PROMISES TO GIVE

Promises to give consist of the following at June 30, 2011:

United Way allocation	\$ 433,560
FiftyForward Endowment	105,402
Foundation and other	100,500
Capital Campaign pledges	<u>55,000</u>
	<u>\$ 694,462</u>

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

NOTE 4 – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following at June 30, 2011:

Land	\$ 575,000
Building and improvements	10,831,480
Construction in progress	53,348
Furniture and equipment	1,234,303
Vehicles	<u>397,709</u>
	13,091,840
Less accumulated depreciation	<u>(4,845,145)</u>
	<u>\$ 8,246,695</u>

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

NOTE 5 – PREPAID RENT

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

For the year	
<u>Ending</u>	
2012	\$ 67,820
2013	70,715
2014	73,804
2015	77,101
2016	80,619
Thereafter	<u>1,365,426</u>
	<u>\$ 1,735,485</u>

NOTE 6 – EMPLOYEE PENSION PLANS

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

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

NOTE 6 – EMPLOYEE PENSION PLANS (Continued)

The Organization also has an IRS Section 401(k) defined contribution retirement plan. 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 five years of service. The plan allows for voluntary contributions by employees and provides for employer contributions at the discretion of the Board of Directors. The Organization contributed \$107,133 to this plan in the year ended June 30, 2011.

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

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

Service costs	\$ -
Interest cost	38,371
Expected return on plan assets	(26,761)
Net asset gain during the period deferred	32,467
Amortization of net gain	<u>8,344</u>
Net periodic pension expense	<u>\$ 52,421</u>
Discount rate	6.14%
Rate of compensation increase	4.00%
Expected rate of return on plan assets	7.00%
Measurement date	7/1/2010
Accumulated benefit obligation	<u>\$ 726,084</u>

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

NOTE 6 – EMPLOYEE PENSION PLANS (Continued)

Change in projected benefit obligation:	
Benefit obligation at beginning of year	\$ (663,167)
Service cost	-
Interest cost	(38,371)
Actuarial gain	(76,134)
Benefit paid	<u>51,588</u>
Benefit obligation at end of year	<u>\$ (726,084)</u>
Change in Plan assets:	
Plan assets at beginning of year	\$ 405,942
Expected return on plan assets	26,761
Benefits paid	(51,588)
Employer contribution	43,000
Gain	<u>32,467</u>
Plan assets at end of year	<u>\$ 456,582</u>
Reconciliation of funded status:	
Funded status at end of year	\$ (318,392)
Pension expense	(19,954)
Employer contribution	43,000
Gain	<u>25,844</u>
Prepaid benefit cost	<u>\$ (269,502)</u>

Disclosure information for fiscal year ending June 30, 2011:

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

NOTE 7 – CONSERVATOR TRUST FUNDS

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

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

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes or periods at June 30, 2011:

Donelson Capital Campaign	\$ 1,659,261
United Way pledges	433,560
FiftyForward Endowment pledges	105,402
Capital Campaign pledges	55,000
CNM grant remainder	8,582
Martin Center van	<u>2,298</u>
	<u>\$ 2,264,103</u>

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

The Organization became the trustee of The J. B. Knowles Trust during the fiscal year ended June 30, 2003. A court order approved the transfer of The J. B. Knowles Trust to the Organization from the former trustee, the Mayor of Nashville. The principal in The J. B. Knowles Trust Fund is permanently restricted subject to the following provisions. Annually, the Organization has the unrestricted use of The J. B. 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 Organization 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 to the Organization is reported as a permanently restricted net asset. During the year ended June 30, 2011 based on the provisions discussed above, the Organization received \$100,000 from the Trust which approximated 5.7% of the trust fund balance at June 30, 2011. The J.B. Knowles Trust Fund net investment income for the year ended June 30, 2011 totaled \$352,958.

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

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

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

Funds with Deficiencies

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

Endowment Investment Policy and Risk Parameters

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

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

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

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

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

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

Strategies Employed for Achieving Investment Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

NOTE 10 – FIFTYFORWARD ENDOWMENT, INC.

FiftyForward Endowment, Inc. ("The Endowment") is an independently governed organization that financially supports the activities of the Organization. The Endowment is organized as a 501(c)(3) not-for-profit organization for the purpose of supporting activities of senior citizens including the Organization but not limited to the Organization. The Organization does not control the decisions and activities of the Endowment and vice versa. The Organization has made grants to the Endowment as disclosed annually in the statement of functional expenses. The Organization is not required to make any grants to the Endowment. Annually, the Endowment makes an unconditional pledge to the Organization for support of the Organization's activities for the next fiscal year that is reported in the statement of activities. The Endowment's pledge is approximately 5% of the fair market value of the Endowment's investments of the Organization's grants. The Endowment is not required to make a

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

NOTE 10 – FIFTYFORWARD ENDOWMENT, INC. (Continued)

pledge to the Organization of this or any other amount and has made different amounts of donations in the past. The Organization's cumulative grants to the Endowment are \$2,424,969, and the Endowment's cumulative pledges and donations to the Organization are \$1,759,224. Since the Organization does not have control over the Endowment's decisions and activities, the fair value of the assets held by the Endowment is not recognized as an asset of the Organization.

NOTE 11 – IN-KIND SUPPORT

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

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

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

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

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

Rent and land use	\$ 57,650
Assistance	<u>38,613</u>
	<u>\$ 96,263</u>

NOTE 12 – CONCENTRATIONS

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

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

NOTE 12 – CONCENTRATIONS (Continued)

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

NOTE 13 – RESTATEMENT

June 30, 2010 balances have been restated as follows to properly record cash and net assets:

		<u>Net Assets</u>	
	<u>Cash</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
June 30, 2010, as previously reported	\$ 628,464	\$ 10,568,463	\$ 2,123,416
Unrestricted cash	(71,674)	(71,674)	-
Pledges receivable	<u>-</u>	<u>(502,209)</u>	<u>502,209</u>
June 30, 2010, as restated	<u>\$ 556,790</u>	<u>\$ 9,994,580</u>	<u>\$ 2,625,625</u>

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

NOTE 12 – CONCENTRATIONS (Continued)

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

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June 30, 2010, as restated	<u>\$ 556,790</u>	<u>\$ 9,994,580</u>	<u>\$ 2,625,625</u>

SUPPLEMENTAL INFORMATION

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC. AND
THE J. B. KNOWLES TRUST
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND LOCAL AWARDS
Year ended June 30, 2011**

FEDERAL AWARDS

Grantor	Program Name	CFDA Number	Contract Number	Receivable June 30, 2010	Cash Receipts	Expenditures	Adjustments	Receivable June 30, 2011
U.S. Department of Health and Human Services Passed Through:								
TN Dept. of Health and Human Services	Social Services Block Grant	93.667	GR-10-28531-00	\$ 2,327	\$ 43,499	\$ 47,850	\$ -	\$ 6,678
Greater Nashville Regional Council	Title IIIB	93.044	2011-10	-	40,050	80,100	-	40,050
Greater Nashville Regional Council	Title IIID	93.043	2011-10	-	-	8,000	-	8,000
Total for Greater Nashville Regional Council				-	40,050	88,100	-	48,050
Total for Department of Health and Human Services*				2,327	83,549	135,950	-	54,728
TN Dept. of Mental Health and Developmental Disabilities								
	Peer Counseling	93.958	Centerstone	1,337	-	-	1,337	-
U.S. Department of Agriculture Passed Through:								
Department of Human Services	Child and Adult Food Program	10.558	34740006001	-	19,784	25,027	-	5,243
Department of Human Services	Child and Adult Food Program	10.558	34740006001	2,530	2,530	-	-	-
Total for CFDA No. 10.558*				2,530	22,314	25,027	-	5,243
Federal Transit Administration Passed Through:								
Nashville Metropolitan Transport Authority	JARC and New Freedom Programs	20.516 *	TN-57-X002	5,582	38,105	32,523	-	-
National Council on Aging	Special Programs for the Aging	93.048 *	N/A	-	24,661	24,661	-	-
U.S. Department of Justice Passed Through:								
YWCA	Victims of Crime Act	16.588	YWCA	828	7,430	7,852	-	1,250
Department of Human Services	Victory Over Crime	16.575	Z0738322800	7,507	44,926	55,060	7,507	10,134
Department of Human Services	Edward Byrne Memorial Justice Assistance Grant	16.803	Z0735322800	280	23,290	25,695	-	2,685
Total for Department of Justice*				8,615	75,646	88,607	7,507	14,069
Corporation for National and Community Service	Foster Grandparents Program	94.011	07SFSTN002	151,983	151,983	-	-	-
Corporation for National and Community Service	Foster Grandparents Program	94.011	10SFSTN002	-	235,513	279,923	-	44,410
Total for CFDA No. 94.011+				151,983	387,496	279,923	-	44,410
Corporation for National and Community Service	Respite Senior Companion Program	94.016	09SCSTN003	26,450	74,164	55,805	-	8,091
Corporation for National and Community Service	Retired Senior Volunteer Program	94.002	09SRSTN007	52,306	161,418	129,289	-	20,177
Total for Corporation for National and Community Service*				230,739	623,078	465,017	-	72,678
Total Federal Awards				251,130	867,353	771,785	8,844	146,718

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC. AND
THE J. B. KNOWLES TRUST
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND LOCAL AWARDS (Continued)
Year ended June 30, 2011**

STATE AWARDS

Grantor	Program Name	CFDA Number	Contract Number	Receivable June 30, 2010	Cash Receipts	Expenditures	Adjustments	Receivable June 30, 2011
TN Dept. of Mental Health and Developmental Disabilities	Foster Grandparents Program	N/A	GR061724900	12,000	-	-	12,000	-
TN Commission on Aging - Greater Nashville Regional Council	Senior Citizens Operations Grant	N/A	GG-11-33368#	20,465	30,625	43,400	11,540	21,700
Tennessee Arts Commission	Theater in the Grove	N/A	N/A	-	4,790	5,960	-	1,170
Tennessee Arts Commission	Arts Program Categorical Grant	N/A	N/A	-	5,900	5,900	-	-
Metropolitan Nashville Arts Commission	Senior Citizens for the Arts, Inc.	N/A	N/A	-	5,450	5,450	-	-
Metropolitan Nashville Arts Commission	Basic Operating Support II	N/A	11-B2-09	-	30,500	30,500	-	-
Metropolitan Nashville Arts Commission	Community Enhancement	N/A	L-2445	41,181	41,181	34,700	-	34,700
Total State Awards				73,646	118,446	125,910	23,540	57,570

LOCAL AWARDS

Williamson County	College Grove Center Grant	N/A	N/A	-	31,950	31,950	-	-
Williamson County	Brentwood Center Grant	N/A	N/A	-	45,000	45,000	-	-
Total Local Awards				-	76,950	76,950	-	-
Total Federal, State and Local Awards				\$ 324,776	\$ 1,062,749	\$ 974,645	\$ 32,384	\$ 204,288

*Cash grant receipts represent federal pass-through funds

Represents state's portion of grant

+ Indicates a major program

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

NOTE 1 - BASIS OF ACCOUNTING

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



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the consolidated financial statements of FiftyForward, Senior Center for the Arts, Inc. and The J. B. Knowles Trust as of and for the year ended June 30, 2011, and have issued our report thereon dated November 14, 2011. 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 FiftyForward's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of FiftyForward's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as finding 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FiftyForward's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Frasier, Dean + Howard, PLLC

November 14, 2011



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

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

Compliance

We have audited FiftyForward, Senior Center for the Arts, Inc. and The J. B. Knowles Trust's ("the Organization") compliance with the types of compliance requirements described in OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2011. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

Fraser, Dean + Howard, PLLC

November 14, 2011

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

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the consolidated financial statements of FiftyForward, Senior Center for the Arts, Inc. and The J. B. Knowles Trust ("the Organization").
2. One significant deficiency disclosed during the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The condition is not considered to be a material weakness.
3. No instances of noncompliance material to the consolidated financial statements of the Organization were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Organization expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
94.011	Foster Grandparents

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

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC.
AND THE J. B. KNOWLES TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year ended June 30, 2011**

FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

2011-1 Audit Adjustments

Statement of Condition: Audit adjustments were proposed to the Organization's financial statements in order to conform to generally accepted accounting principles ("GAAP").

Criteria: Financial statements are to be issued in accordance with GAAP.

Effect of Condition: Financial statements could be issued that do not properly reflect the Organization's financial condition and results of operations.

Cause of Condition: Final closing entries have typically been made in conjunction with the audit process.

Auditor's Recommendation: The Organization should consider making all adjusting entries prior to commencement of its year-end audit.

Views of Responsible Officials: We concur with the recommendation and will make all adjusting entries prior to audit commencement for 2012.

Material Weakness

None

**FIFTYFORWARD, SENIOR CENTER FOR THE ARTS, INC.
AND THE J. B. KNOWLES TRUST
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2011**

None

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

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

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

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