

TONY RICE CENTER, INC.

FINANCIAL STATEMENTS

JUNE 30, 2007

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

**TONY RICE CENTER, INC.
FINANCIAL STATEMENTS
JUNE 30, 2007**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Financial Position	2
Statement of Activities	3
Statements of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10
Independent Auditor's Report on Internal Control Over Financial Reporting	11-12

JOE OSTERFELD, CPA

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Tony Rice Center, Inc.
1300 Railroad Avenue
Shelbyville, Tennessee 37160

We have audited the accompanying statement of financial position of the Tony Rice Center, Inc. (a nonprofit organization) as of June 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tony Rice Center, Inc. as of June 30, 2007, 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*, I have also issued my report dated September 26, 2007, on my consideration of Tony Rice Center, Inc.'s internal control over financial reporting and my 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 my 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 read in conjunction with this report in considering the results of my audit.



Joe Osterfeld, CPA
Columbia, Tennessee
September 26, 2007

TONY RICE CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 175,058
Grants receivable	12,050
Inventory	1,951
Prepaid expenses	29,708
TOTAL CURRENT ASSETS:	218,767
 Property and equipment:	
Land, building, and equipment	1,933,100
Less: Accumulated depreciation	(466,895)
	1,466,205
 Other assets:	
Utility deposit	3,075
TOTAL ASSETS	\$ 1,688,047

LIABILITIES AND NET ASSETS

LIABILITIES:	
Accrued vacation pay	\$ 6,207
Deferred revenue-fundraising	2,500
Current portion of long-term debt	710,633
TOTAL CURRENT LIABILITIES	719,340
 LONG-TERM LIABILITIES	
Notes payable	815,858
Less: current portion	(710,633)
TOTAL LONG TERM LIABILITIES	105,225
TOTAL LIABILITIES	824,565
 NET ASSETS	
Unrestricted	863,482
TOTAL NET ASSETS	863,482
TOTAL LIABILITIES AND NET ASSETS	\$ 1,688,047

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

**TONY RICE CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
PUBLIC SUPPORT AND REVENUE:			
Awards	\$ -	\$ 457,474	\$ 457,474
Contributions	29,337	-	29,337
Total public support	<u>29,337</u>	<u>457,474</u>	<u>486,811</u>
Rents from participants	186,510		186,510
Fundraising activities	41,455		41,455
Miscellaneous income	29,182		29,182
Interest income	2,291		2,291
Total revenue	<u>259,438</u>	<u>-</u>	<u>259,438</u>
Net assets released from restrictions	457,474	(457,474)	-
TOTAL SUPPORT AND REVENUE	<u>746,249</u>	<u>-</u>	<u>746,249</u>
EXPENSES			
Program Services: Residential halfway houses	676,610		676,610
Support Services: Fundraising expenses	22,977		22,977
TOTAL EXPENSES	<u>699,587</u>	<u>-</u>	<u>699,587</u>
CHANGE IN NET ASSETS	46,662	-	46,662
BEGINNING ASSETS	<u>816,820</u>	<u>-</u>	<u>816,820</u>
ENDING NET ASSETS	<u>\$ 863,482</u>	<u>\$ -</u>	<u>\$ 863,482</u>

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

TONY RICE CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>PROGRAM</u>		<u>SUPPORT</u>	
	<u>SERVICES</u>		<u>SERVICES</u>	
	<u>Residential</u>			
	<u>Halfway Houses</u>	<u>Fundraising</u>	<u>TOTAL</u>	
Salaries and wages	\$ 325,061		\$ 325,061	
Payroll taxes	26,569		26,569	
Fringe benefits	44,531		44,531	
Advertising	804		804	
Insurance	29,831		29,831	
Food and groceries	52,244		52,244	
Depreciation	39,721		39,721	
Dues and subscriptions	145		145	
License, fees and bonds	2,160		2,160	
Professional expenses	5,395		5,395	
Repair and maintenance	29,303		29,303	
Supplies	26,836		26,836	
Telephone		22,977	22,977	
Utilities	5,453		5,453	
Staff training	32,483		32,483	
Travel expense	729		729	
Interest	170		170	
Miscellaneous	13,085		13,085	
Vehicle	290		290	
Contract labor	21,837		21,837	
	19,963		19,963	
	<u>\$ 676,610</u>	<u>\$ 22,977</u>	<u>\$ 699,587</u>	

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

TONY RICE CENTER, INC.
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED JUNE 30, 2007

Cash flows from operating activities:	
Increase (Decrease) in net assets	\$ 46,662
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	39,721
(Increase) Decrease in grants receivable	4,750
(Increase) Decrease in prepaid expenses	6,212
(Increase) Decrease in inventories	(723)
Increase (Decrease) in accrued expenses	(2,241)
Increase (Decrease) in deferred income	(11,195)
Net cash provided (used) by operating activities	<u>83,186</u>
Cash flow from investing activities:	
Construction of Women's Center	(732,517)
Net cash (used) by investing activities	<u>(732,517)</u>
Cash flow from financing activities:	
Proceeds of new note payable	703,953
Principal payments on notes payable	(10,797)
Net cash (used) by financing activities	<u>693,156</u>
Net increase (decrease) in cash and equivalents	43,825
Cash and cash equivalents, beginning of year	<u>131,233</u>
Cash and cash equivalents, end of year	<u>\$ 175,058</u>
 Supplemental disclosures of cash flow information:	
Cash paid during the year for interest expense	<u>\$ 13,085</u>

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

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Tony Rice Center, Inc. (the Center) is a nonprofit corporation organized in the State of Tennessee on June 29, 1990 for the purpose of rehabilitation and life transition of individuals recovering from addiction to alcohol and drugs. The Center is located in Shelbyville, Tennessee and provides services for the treatment of alcohol and drug dependency to men and women in the Middle Tennessee area. Supportive services include fund raising expenses. A board of directors governs the Center.

Basis of Accounting

The Center reports its financial statements on the accrual basis. The Operating Fund is used to account for all resources over which the Board of Directors has discretionary control. Revenues and expenses from unrestricted resources are recognized in the accompanying financial statements when earned or when incurred, respectively. Unless specifically restricted by the donor, all donations and contributions are considered available for unrestricted use. Income from public and private organizations is recognized when received.

Basis of Presentation

Financial Statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No.117 "Financial Statements of Not-for-Profit Organizations." Under SFAS No.117, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets) temporarily restricted net assets) and permanently restricted net assets. In addition, the Center is required to present a statement of cash flows. As permitted by the statement, the Center has discontinued its use of fund accounting.

Cash and Cash Equivalents

Cash includes petty cash and amounts in demand deposits and money market accounts. Cash, in excess of current requirements, is invested in interest-bearing accounts such as certificates of deposits. For purposes of the statements of cash flows, the Board considers cash and investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at their net realizable value. It is the opinion of management that all of the receivables at fiscal year end are collectible.

Compensated Absences

Employees are entitled to paid vacation depending on length of service and other factors. Sick leave is not accrued because it does not accumulate or vest with employees.

Inventories

Inventories of food and supplies are stated at the lower of cost or market using the first in first out method.

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Contributions

The Center has also adopted SFAS No.116. "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Deferred Revenue

Income from fundraising activities is deferred and recognized over the period to which the function relates.

Depreciation

Property and equipment additions are recorded at their cost or fair market value for donated items and depreciated over their estimated useful lives using the straight-line method.

Donated Assets

Donated assets) such as property and equipment, are recorded as contributions at their estimated fair value at the date of donation.

Functional Allocation of Expenses

The costs of providing the services and other activities of the Center have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Salaries and related employee expenses are allocated to program, fundraising, and support service functions based on estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical, or are allocated based on salaries. Building and occupancy costs are allocated on the basis of square footage. Depreciation is allocated on the basis of usage for furniture and equipment.

Income Taxes

The Center is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Pension Plan

The Center makes available to employees a deferred compensation pension plan established under IRC 403(b). The Center makes no contribution to the plan.

Services and Materials

Donated services of unpaid volunteers in support of the Center's operating activities have not been recognized in the accompanying financial statements. Because of the difficulty *in* assigning values for such services, these items are not generally recognized in the financial statements. However, when the value of donated services is ascertainable, the amounts are reflected *in* the financial statements as revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Temporarily Restricted Net Assets

Funds restricted by the donor or grantors are deemed to be earned and reported as revenues when the Center has incurred expenditures in compliance with the specific restrictions. Amounts received but not yet earned are reported as temporarily restricted net assets.

NOTE 2 - CASH AND CREDIT RISK

The Center's cash is deposited in checking and money market accounts at two banks. The Center had funds deposited at First Bank that exceeded the \$100,000 FDIC deposit insurance coverage by \$14,896 at June 30, 2007.

NOTE 3 - GRANTS RECEIVABLE

Grants and contracts receivable consist of a grant receivable from the State of Tennessee.

NOTE 4 - PROPERTY EQUIPMENT

Property and equipment consists of the following as of June 30, 2007:

<u>Category</u>	<u>Useful Life</u>	<u>Cost or Basis</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	N/A	\$ 72,640	\$ -	\$ 72,640
Land improvements	10	32,062	27,213	4,849
Buildings	30-40	799,674	202,156	597,518
Furniture and equipment	3-7	174,685	167,642	7,043
Vehicles	5	75,579	69,884	5,695
Construction in Progress		778,460	-	778,460
		<u>\$ 1,933,100</u>	<u>\$ 466,895</u>	<u>\$ 1,466,205</u>

NOTE 5 - FUNDRAISING EXPENSES AND REVENUES

The Center held a horse show fundraising event and other activities to earn additional funds and increase public awareness of the organization. Expenses paid and revenues received for fundraising activities, are recorded in the Statement of Activities.

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 6 - FINANCIAL DEPENDENCE

The Center is substantially funded by grants from U.S. Department of Health and Human Services and the Tennessee Department of Health. A significant reduction in the level of this support, if this were to occur, may have an effect in the Agency's programs and activities. In addition, the grants prescribe allowable expenditure guidelines with which Center must comply. The grants are received prospectively, subject to subsequent verification of the incurring of allowable expenditures or provision of qualifying services.

NOTE 7 - NOTES PAYABLE

Notes payable consist of:

Regions Bank	\$ 703,953
Rural Development Agency (RDA)	111,905
Total Notes Payable	<u>815,858</u>
Less: Current Portion	(710,633)
Long Term Portion	<u>\$ 105,225</u>

The future minimum payments on the long-term portion of the notes payable are as follows:

<u>Fiscal Year End</u>	
6/30/09	6,801
6/30/10	7,131
6/30/11	7,477
6/30/12	7,840
Thereafter	<u>75,976</u>
Total	<u>\$ 105,225</u>

The terms of the long-term notes are as follows:

	<u>**Regions Bank**</u>	<u>Rural Development Agency</u>
Date of Loan	11/30/06	02/11/00
Interest Rate	4.25%	4.75%
Original Balance	\$ 703,953	\$ 170,000
++Reserve required	N/A	\$ 9,904
Payment	Interest Only	\$ 971
Frequency of Payments	monthly	monthly
Number of Payments	N/A	189
Loan Due Date	08/17/07	03/17/20
Secured By	Real Estate	Real Estate

** The Center was approved for an \$805,000 construction loan with Regions Bank to build a Women's facility. At June 30, 2007, the Center had drawn \$703,953 against this loan. Upon completion of the Women's facility, the Center closed this loan and the balance was transferred to a new loan dated August 17, 2007 for \$905,000, 4.25% interest, \$6,836.95 due monthly, balloon payment of \$665,515.52 due September 17, 2012.

++ The provisions of the note require the establishment and maintenance of a debt service reserve. The reserve is to be funded in the amount of 10% of each payment on the debt to a maximum amount of one year's debt service requirement. The Center was compliant with this provision as of June 30, 2007

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 8 - AWARDS

The awards consist of a \$438,000 grant from the Tennessee Department of Health, which includes \$359,317 of federal expenditures and \$78,683 of state expenditures under a Drug and Alcohol Block Grant from the U.S. Department of Health and Human Services under CFDA Number 93.959 and U.S. Department of Agriculture Food Stamps federal expenditures assistance of \$19,474.

NOTE 9 - SUBSEQUENT EVENTS

Subsequent to June 30, 2007, the Women's facility was completed at an approximate cost of \$905,000. The facility opened to new clients in September 2007.

Upon completion of the Women's facility, the Center closed this loan and the balance was transferred to a new loan dated August 17, 2007 for \$905,000, 4.25% interest, \$6,836.95 due monthly, balloon payment of \$665,515.52 due September 17, 2012.