

TONY RICE CENTER, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016

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**TONY RICE CENTER, INC.
FINANCIAL STATEMENTS
JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Tony Rice Center, Inc.
Shelbyville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Tony Rice Center, Inc. (a Tennessee nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tony Rice Center, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance and roster of board members and executive director, as required by the State of Tennessee, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2016, on our consideration of Tony Rice 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tony Rice Center, Inc.'s internal control over financial reporting and compliance.

Joe Osterfeld, CPA
Columbia, Tennessee
October 7, 2016

TONY RICE CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 259,839
Grants receivable	26,086
Inventory	3,136
Prepaid expenses	<u>21,050</u>
TOTAL CURRENT ASSETS	310,111
TEMPORARILY RESTRICTED ASSETS:	
Cash - Debt Service	<u>11,652</u>
TOTAL TEMPORARILY RESTRICTED ASSETS	11,652
PROPERTY AND EQUIPMENT:	
Land, building, and equipment	2,206,210
Less: Accumulated depreciation	<u>1,009,151</u>
	1,197,059
OTHER ASSETS:	
Utility deposit	<u>5,600</u>
TOTAL ASSETS	<u><u>\$ 1,524,422</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accrued vacation pay	\$ 11,271
Accounts payable	537
Deferred revenue-fundraising	3,000
Current portion of long-term debt	<u>68,491</u>
TOTAL CURRENT LIABILITIES	83,299
LONG-TERM LIABILITIES:	
Notes payable	303,664
Less: Current portion	<u>(68,491)</u>
TOTAL LONG-TERM LIABILITIES	<u>235,173</u>
TOTAL LIABILITIES	318,472
NET ASSETS:	
Unrestricted	1,194,298
Temporarily restricted for Debt Service	<u>11,652</u>
TOTAL NET ASSETS	<u>1,205,950</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,524,422</u></u>

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

**TONY RICE CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
PUBLIC SUPPORT AND REVENUE:			
Awards	\$ -	\$ 525,141	\$ 525,141
Contributions	<u>13,510</u>	<u>-</u>	<u>13,510</u>
Total public support	<u>13,510</u>	<u>525,141</u>	<u>538,651</u>
Rents from participants	115,206	-	115,206
Board of Parole & Probation	119,637	-	119,637
ADAT fee for services	3,332	-	3,332
DUI School & Classes	42,675	-	42,675
Miscellaneous income	18,932	-	18,932
Fundraising	2,179	-	2,179
Gain/(Loss) on sale of asset	-	-	-
Interest income	<u>379</u>	<u>-</u>	<u>379</u>
Total revenue	<u>315,850</u>	<u>525,141</u>	<u>840,991</u>
Net assets released from restrictions	<u>525,141</u>	<u>(525,141)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	840,991	-	840,991
EXPENSES			
Program Services: Residential halfway houses	812,469	-	812,469
Support Services: Fundraising expenses	<u>2,673</u>	<u>-</u>	<u>2,673</u>
TOTAL EXPENSES	<u>815,142</u>	<u>-</u>	<u>815,142</u>
CHANGE IN NET ASSETS	25,849	-	25,849
BEGINNING ASSETS	<u>1,168,449</u>	<u>11,652</u>	<u>1,180,101</u>
ENDING NET ASSETS	<u>\$ 1,194,298</u>	<u>\$ 11,652</u>	<u>\$ 1,205,950</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, 2016

	<u>PROGRAM SERVICES</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and wages	\$ 427,731	\$ -	\$ 427,731
Payroll taxes	35,140	-	35,140
Advertising	711	-	711
Contract labor	10,573	-	10,573
Depreciation	62,409	-	62,409
Dues and subscriptions	349	-	349
Food and groceries	82,881	-	82,881
Fringe benefits	1,302	-	1,302
Fundraising	-	2,673	2,673
Insurance	40,129	-	40,129
Interest	13,454	-	13,454
License, fees and bonds	5,002	-	5,002
Medical testing	1,977	-	1,977
Miscellaneous	5,183	-	5,183
Professional expenses	6,500	-	6,500
Repair and maintenance	26,093	-	26,093
Staff training	633	-	633
Supplies	28,793	-	28,793
Telephone	7,096	-	7,096
Travel expense	100	-	100
Utilities	45,591	-	45,591
Vehicle	10,822	-	10,822
	<u>\$ 812,469</u>	<u>\$ 2,673</u>	<u>\$ 815,142</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, 2016**

Cash flows from operating activities:	
Increase (Decrease) in net assets	\$ 25,849
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	62,409
(Increase) Decrease in grants receivable	5,742
(Increase) Decrease in prepaid expenses	17,773
(Increase) Decrease in inventories	(1,479)
Increase (Decrease) in accrued expenses	(1,645)
Increase (Decrease) in accounts payable	(387)
Net cash provided (used) by operating activities	<u>108,262</u>
Cash flow from investing activities:	
Purchase of fixed assets	<u>-</u>
Net cash (used) by investing activities	<u>-</u>
Cash flow from financing activities:	
Principal payments on notes payable	<u>(65,015)</u>
Net cash (used) by financing activities	<u>(65,015)</u>
Net increase (decrease) in cash and equivalents	43,247
Cash and cash equivalents, beginning of year	<u>228,244</u>
Cash and cash equivalents, end of year *	<u><u>\$ 271,491</u></u>

* Cash and cash equivalents includes temporarily restricted cash for debt service of \$11,652.

Supplemental disclosures of cash flow information:

Cash paid during the year for interest expense	<u><u>\$ 28,793</u></u>
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The accompanying notes are an integral part of the financial statements.

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 financial statements of Tony Rice Center, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant accounts receivable, accounts payable, and other liabilities.

Basis of Presentation

Financial Statement presentation follow US generally accepted accounting principles which require the Center 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.

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 action 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 statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Center. Generally, the donor of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. Currently, there are no assets that meet this description.

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. There were no cash equivalents at June 30, 2016.

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.

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

Deferred Revenue

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

Depreciation

Property and equipment additions in excess of \$1,000 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 Tony Rice Center, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. Accordingly, no provisions for income taxes have been made. The Center's Form 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2014, 2015 and 2016 are subject to examination by the IRS, generally for 3 years after they are filed.

Planned Major Maintenance Activities

Costs or fair market value for donated items and services for planned major maintenance in excess of \$1,000 are treated as additions to property and equipment and depreciated over their estimated useful lives using the straight-line method. For the year ended June 30, 2016, there were no planned major maintenance activities.

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 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 did not have any funds deposited at either bank that exceeded the FDIC deposit insurance coverage at June 30, 2016.

NOTE 3 - GRANTS RECEIVABLE

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

NOTE 4 - PROPERTY EQUIPMENT

Property and equipment consists of the following as of June 30, 2016:

<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	155,321	82,280	73,041
Buildings	30-40	1,740,777	689,399	1,051,378
Furniture and equipment	3-7	152,889	152,889	-
Vehicles	5	84,582	84,582	-
Total		<u>2,206,209</u>	<u>1,009,150</u>	<u>1,197,059</u>

Depreciation expense for the year ended June 30, 2016 was \$62,409.

**TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 - 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 adverse 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 6 - AWARDS

The awards consist of a \$460,339 grant from the Tennessee Department of Health, which includes \$460,339 of federal 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 \$64,802.

NOTE 7 - TEMPORARILY RESTRICTED ASSETS

Temporarily restricted assets consist of a debt service reserve in the amount of \$11,652 that is required by the terms of the note payable with U. S. Rural Development.

NOTE 8 - NOTES PAYABLE

Notes payable consist of:

Regions Bank	\$ 274,632
Rural Development Agency (RDA)	29,032
Total Notes Payable	<u>303,664</u>
Less: Current Portion	<u>(68,491)</u>
Long Term Portion	<u>\$ 235,173</u>

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

<u>Fiscal Year End</u>	
6/30/2018	\$ 71,367
6/30/2019	70,341
6/30/2020	65,504
6/30/2021	<u>27,961</u>
	<u>\$ 235,173</u>

**TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

	<u>Regions Bank</u>	<u>Rural Development Agency</u>
Date of Loan	11/12/2015	2/11/2000
Interest Rate	4.10%	4.75%
Original Balance	\$306,936	\$ 170,000
++Reserve required	N/A	\$ 11,652
Payment	\$5,675	\$ 971
Frequency of Payments	monthly	monthly
Number of Payments	60	189
Loan Due Date	11/12/2020	3/17/2020
Secured By	Real Estate	Real Estate
		++

++ 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, 2016.

NOTE 9 - FUNDRAISING EXPENSES AND REVENUES

The Center holds fundraising events 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 and Statement of Functional Expenses.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 7, 2016, which is the date the financial statements were available to be issued. No material subsequent events have occurred that need to be disclosed.

TONY RICE CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2016

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Grantor Agency and Program Name</u>	<u>Balance July 1, 2015</u>	<u>Grant Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2016</u>
<u>U.S. Department of Health and Human Services:</u>						
Passed Through the Tennessee Department of Mental Health;and Substance Abuse Services						
93.959	DGA 45367-2015-2016-027	Drug and Alcohol Block Grant*	-	450,274	460,339	(10,065) (A)
93.959	DGA 41157-2014-2015-029	Drug and Alcohol Block Grant*	(25,428)	25,428	-	-
Total Drug and Alcohol Block Grant *			<u>(25,428)</u>	<u>475,702</u>	<u>460,339</u>	<u>(10,065)</u>
<u>U.S. Department of Agriculture</u>						
10.551		Food Stamps	-	64,802	64,802	-
Total Federal Awards			<u>\$ (25,428)</u>	<u>\$ 540,504</u>	<u>\$ 525,141</u>	<u>\$ (10,065)</u>
<u>Tennessee Department of Mental Health and Substance Abuse Services</u>						
Fee for Services Contracts						
	<u>Edison Number</u>					
	411164	Community Treatment Collaborative	\$ (6,400)	\$ 6,400	\$ -	\$ -
	80376	Community Treatment Collaborative	\$ -	\$ 103,616	\$ 119,637	\$ (16,021) (A)
	40985	ADAT	-	3,332	3,332	-
Total State Awards			<u>\$ (6,400)</u>	<u>\$ 113,348</u>	<u>\$ 122,969</u>	<u>\$ (16,021)</u>
Total Federal and State Awards			<u>\$ (31,828)</u>	<u>\$ 653,852</u>	<u>\$ 648,110</u>	<u>\$ (26,086)</u>

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

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

**TONY RICE CENTER, INC.
ROSTER OF BOARD MEMBERS AND EXECUTIVE DIRECTOR
JUNE 30, 2016**

Board Members:

Jeff Gilley – President

Jimmy Burton – Vice President

Dr. Howard Rupard – Secretary/Treasurer

Chris Aude – Board Member

Maurice Burgess – Board Member

Carter Clay – Board Member

David Martin – Board Member

Executive Director: Cody Harris

Joe Osterfeld, CPA

Certified Public Accountant

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INDEPENDENT AUDITOR'S 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
Tony Rice Center, Inc.
Shelbyville, Tennessee

We have audited, in accordance with the 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, the financial statements of the Tony Rice Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Joe Osterfeld, CPA
Columbia, Tennessee
October 7, 2016

Tony Rice Center, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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
- Significant deficiencies identified that are
not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Section II - Financial Statement Findings

Current Year Findings: No matters were reported.

Prior Year Findings: No matters were reported.