

TONY RICE CENTER, INC.

FINANCIAL STATEMENTS

JUNE 30, 2006

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

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JUNE 30, 2006

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tony Rice Center, Inc.
1300 Railroad Avenue
Shelbyville, TN 37160

I have audited the accompanying statement of financial position of Tony Rice Center, Inc. (a nonprofit corporation) as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of the Organization. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated August 8, 2006, 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, 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 considered in assessing the results of my audit.



Joe Osterfeld, CPA
Columbia, Tennessee
August 8, 2006

TONY RICE CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 131,233
Grants receivable	16,800
Inventory	1,228
Prepaid expenses	<u>35,920</u>
TOTAL CURRENT ASSETS:	185,181
Property and equipment:	
Land, building, and equipment	1,200,583
Less: Accumulated depreciation	<u>(427,174)</u>
	773,409
Other assets:	
Utility deposit	<u>3,075</u>
TOTAL ASSETS	<u><u>\$ 961,665</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES:	
Accrued vacation pay	\$ 8,448
Deferred revenue-fundraising	13,695
Current portion of long-term debt	<u>11,013</u>
TOTAL CURRENT LIABILITIES	33,156
LONG-TERM LIABILITIES	
Notes payable	122,702
Less: current portion	<u>(11,013)</u>
TOTAL LONG TERM LIABILITIES	<u>111,689</u>
TOTAL LIABILITIES	144,845
NET ASSETS	
Unrestricted	<u>816,820</u>
TOTAL NET ASSETS	<u>816,820</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 961,665</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, 2006**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
PUBLIC SUPPORT AND REVENUE:			
Awards	\$ -	\$ 467,821	\$ 467,821
Contributions	59,007	-	59,007
	59,007	-	59,007
Total public support	59,007	467,821	526,828
	203,681		203,681
Rents from participants	203,681		203,681
Program Fees	12,900		12,900
Fundraising activities	41,845		41,845
Miscellaneous income	15,702		15,702
Interst income	1,003		1,003
Total revenue	275,131	-	275,131
	467,821	(467,821)	-
Net assets released from restrictions	467,821	(467,821)	-
TOTAL SUPPORT AND REVENUE	801,959	-	801,959
EXPENSES			
Program Services: Residential halfway houses	707,690		707,690
Support Services: Fundraising expenses	26,251		26,251
	733,941	-	733,941
TOTAL EXPENSES	733,941	-	733,941
CHANGE IN NET ASSETS	68,018	-	68,018
BEGINNING ASSETS	748,802	-	748,802
ENDING NET ASSETS	\$ 816,820	\$ -	\$ 816,820

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>SERVICES</u>	<u>SUPPORT</u> <u>SERVICES</u>	
	<u>Residential</u> <u>Halfway Houses</u>	<u>Fundraising</u>	<u>TOTAL</u>
Salaries and wages	\$332,551		\$332,551
Payroll taxes	34,544		34,544
Fringe benefits	42,330		42,330
Insurance	33,608		33,608
Food and groceries	55,847		55,847
Depreciation	46,296		46,296
Dues and subscriptions	952		952
Professional expenses	5,395		5,395
Repair and maintenance	24,035		24,035
Supplies	18,861	\$26,251	45,112
Telephone	5,582		5,582
Utilities	39,901		39,901
Staff training	2,565		2,565
Travel expense	837		837
Interest	7,434		7,434
Miscellaneous	3,708		3,708
Vehicle	26,320		26,320
Contract labor	26,924		26,924
	<u>\$707,690</u>	<u>\$26,251</u>	<u>\$733,941</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, 2006

Cash flows from operating activities:	
Increase (Decrease) in net assets	\$ 68,018
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	46,296
(Increase) Decrease in grants receivable	4,200
(Increase) Decrease in prepaid expenses	(538)
(Increase) Decrease in inventories	1,068
Increase (Decrease) in accrued expenses	3,126
Increase (Decrease) in deferred income	(7,650)
Net cash provided (used) by operating activities	<u>114,520</u>
Cash flow from investing activities:	
Disposal of vehicle	484
Construction in progress	(45,944)
Purchases of equipment	(14,380)
Net cash (used) by investing activities	<u>(59,840)</u>
Cash flow from financing activities:	
Principal payments on notes payable	(59,828)
Net cash (used) by financing activities	<u>(59,828)</u>
Net increase (decrease) in cash and equivalents	(5,148)
Cash and cash equivalents, beginning of year	<u>136,381</u>
Cash and cash equivalents, end of year	<u><u>\$ 131,233</u></u>

Supplemental disclosures of cash flow information:

Cash paid during the year for interest expense	<u><u>\$ 7,434</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, 2006

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, 2006

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.

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.

Donated Assets

Donated assets such as property and equipment, are recorded as contributions at their estimated fair value at

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.

Donated Professional Services

The Center records donated professional services when they create or enhance a non-financial asset or for specialized skills provided by entities or persons possessing those skills that would be purchased if they were not donated. During the year ended June 30, 2006, Wamble & Associates donated \$23,921 of engineering and surveying services that were capitalized as construction in progress for a new Women's Center Facility.

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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, 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. Neither AmSouth nor Regions Bank balances exceeded FDIC coverage at June 30, 2006

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, 2005:

<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	24,009	8,053
Buildings	30-40	799,673	177,268	622,405
Furniture and equipment	3-7	174,685	162,273	12,412
Vehicles	5	75,579	63,624	11,955
Construction in Progress	N/A	45,944	-	45,944
		<u>\$ 1,200,584</u>	<u>\$ 427,174</u>	<u>\$ 773,409</u>

NOTE 5 - FUNDRAISING EXPENSES AND REVENUES

The Center held several fundraising and other activities to earn additional funds and increase public awareness of the organization. Expenses paid and revenues received for fundraising activities, which occurred after fiscal year end are recorded in the Statement of Financial Position as prepaid expense and deferred revenue - fundraising, respectively.

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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:

Union Planters Bank (UPB)	\$	4,621
Rural Development Agency (RDA)		<u>118,081</u>
Total Notes Payable		122,702
Less: Current Portion		<u>(11,013)</u>
Long Term Portion	\$	<u>111,689</u>

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

<u>Fiscal Year End</u>		
6/30/2007	\$	6,487
6/30/2008		6,802
6/30/2009		7,132
6/30/2010		7,478
Thereafter		<u>83,790</u>
Total	\$	<u>111,689</u>

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

	<u>Union Planters Bank</u>	<u>Rural Development Agency</u>
Date of Loan	7/28/2003	2/11/2000
Interest Rate	4.84%	4.75%
Original Balance	\$154,814	\$170,000
Payment	\$4,634	\$971
Frequency of Payments	monthly	monthly
Number of Payments	36	189
Loan Due Date	7/28/2006	3/17/2020
Secured By	Real Estate	Real Estate

NOTE 8 - WOMEN'S CENTER

In November 2005, the Center elected to close the Women's Center due to continuing sewage problems. A new Women's Center is expected to begin construction in the Fall of 2006.

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 9 - AWARDS

The awards consist of a \$456,300 grant from the Tennessee Department of Health, which includes \$359,317 of federal expenditures and \$96,983 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 \$24,171.

Due to the Women's Center closing in November 2005, the Center did not earn the full amount of the award. Of the \$456,300 available, the Center earned \$354,920 of the federal and \$88,730 of the state for a total of \$443,650.

NOTE 10 - SUBSEQUENT EVENTS

The Center signed a contract with Tri-State Development & Insulation Company for the construction of a new Women's Center Facility at a cost of \$798,200. Construction to begin as soon as a construction loan can be obtained and approved.

The Center is requesting proposals from area banks for a construction loan. Regions Bank has verbally approved a fifteen year loan for an amount up to \$800,000 with interest fixed for five years. The Center is still waiting for other proposals to come in.