

TONY RICE CENTER, INC.

FINANCIAL STATEMENTS

JUNE 30, 2010

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JUNE 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tony Rice Centers, Inc.
Shelbyville, Tennessee

We have audited the accompanying statement of financial position of the Tony Rice Centers, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tony Rice Centers, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2010, on our consideration of Tony Rice Center, Inc.'s internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.



Joe Osterfeld, CPA
Columbia, Tennessee
September 9, 2010

TONY RICE CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

CURRENT ASSETS:	\$ 150,214
Cash and cash equivalents	120,150
Grants receivable	1,908
Inventory	39,669
Prepaid expenses	<u>311,941</u>
TOTAL CURRENT ASSETS	311,941
TEMPORARILY RESTRICTED ASSETS:	<u>11,652</u>
Cash - Debt Service	11,652
TOTAL TEMPORARILY RESTRICTED ASSETS	11,652
PROPERTY AND EQUIPMENT:	2,113,221
Land, building, and equipment	<u>(617,406)</u>
Less: Accumulated depreciation	1,495,815
OTHER ASSETS:	<u>5,600</u>
Utility deposit	5,600
TOTAL ASSETS	<u><u>\$ 1,825,008</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	\$ 9,976
Accrued vacation pay	12,195
Deferred revenue-fundraising	92,341
Current portion of long-term debt	<u>114,512</u>
TOTAL CURRENT LIABILITIES	114,512
LONG-TERM LIABILITIES:	784,036
Notes payable	<u>(92,341)</u>
Less: current portion	691,695
TOTAL LONG-TERM LIABILITIES	<u>691,695</u>
TOTAL LIABILITIES	806,207
NET ASSETS:	1,007,149
Unrestricted	11,652
Temporarily restricted for Debt Service	<u>1,018,801</u>
TOTAL NET ASSETS	<u><u>\$ 1,825,008</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, 2010**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
PUBLIC SUPPORT AND REVENUE:			
Awards	\$ -	\$ 479,513	\$ 479,513
Contributions	9,967	-	9,967
Total public support	<u>9,967</u>	<u>479,513</u>	<u>489,480</u>
Rents from participants	172,319	-	172,319
Board of Parole & Probation	78,475	-	78,475
DUI School & Classes	55,888	-	55,888
Miscellaneous income	28,452	-	28,452
Fundraising	35,261	-	35,261
Gain on sale of asset	500	-	500
Interst income	1,554	-	1,554
Total revenue	<u>382,416</u>	<u>479,513</u>	<u>861,929</u>
Net assets released from restrictions	<u>489,513</u>	<u>(489,513)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	871,929	(10,000)	861,929
EXPENSES			
Program Services: Residential halfway houses	717,839	-	717,839
Support Services: Fundraising expenses	22,048	-	22,048
TOTAL EXPENSES	<u>739,887</u>	<u>-</u>	<u>739,887</u>
CHANGE IN NET ASSETS	132,042	(10,000)	122,042
BEGINNING ASSETS	<u>875,107</u>	<u>21,652</u>	<u>896,759</u>
ENDING NET ASSETS	<u>\$ 1,007,149</u>	<u>\$ 11,652</u>	<u>\$ 1,018,801</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, 2010

	<u>PROGRAM SERVICES</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and wages	\$ 332,736	\$ -	\$ 332,736
Payroll taxes	31,899	-	31,899
Fringe benefits	23,571	-	23,571
Advertising	328	-	328
Insurance	31,597	-	31,597
Food and groceries	62,704	-	62,704
Fundraising	-	22,048	22,048
Depreciation	72,387	-	72,387
Dues and subscriptions	155	-	155
License, fees and bonds	2,260	-	2,260
Professional expenses	5,395	-	5,395
Repair and maintenance	32,197	-	32,197
Supplies	36,414	-	36,414
Telephone	8,285	-	8,285
Utilities	45,552	-	45,552
Staff training	1,061	-	1,061
Travel expense	75	-	75
Interest	4,635	-	4,635
Miscellaneous	802	-	802
Vehicle	24,576	-	24,576
Contract labor	1,210	-	1,210
	<u>\$ 717,839</u>	<u>\$ 22,048</u>	<u>\$ 739,887</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, 2010**

Cash flows from operating activities:	\$ 122,042
Increase (Decrease) in net assets	
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	72,387
(Increase) Decrease in grants receivable	(86,450)
(Increase) Decrease in prepaid expenses	(27,910)
(Increase) Decrease in inventories	(11)
(Increase) Decrease in other assets	-
(Increase) Decrease in temporarily restricted assets	10,000
Increase (Decrease) in accrued expenses	1,265
Increase (Decrease) in deferred income	230
Net cash provided (used) by operating activities	<u>91,553</u>
 Cash flow from investing activities:	
Purchase of fixed assets	<u>(24,455)</u>
Net cash (used) by investing activities	<u>(24,455)</u>
 Cash flow from financing activities:	
Principal payments on notes payable	<u>(91,533)</u>
Net cash (used) by financing activities	<u>(91,533)</u>
 Net increase (decrease) in cash and equivalents	(24,435)
 Cash and cash equivalents, beginning of year	<u>174,649</u>
 Cash and cash equivalents, end of year	<u><u>\$ 150,214</u></u>
 Supplemental disclosures of cash flow information:	
Cash paid during the year for interest expense	<u><u>\$ 4,635</u></u>

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

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 follow generally accepted accounting principles.

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.

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.

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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.

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, 2010, there were no planned major maintenance activities.

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, 2010.

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010:

<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	48,422	40,217	8,205
Buildings	30-40	1,748,889	371,428	1,377,461
Furniture and equipment	3-7	146,737	130,826	15,911
Vehicles	5	96,533	74,935	21,598
		<u>\$ 2,113,221</u>	<u>\$ 617,406</u>	<u>\$ 1,495,815</u>

Depreciation expense for the year ended June 30, 2010 was \$72,387.

NOTE 5 - 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 Financial Position.

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 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 7 - NOTES PAYABLE

Notes payable consist of:

Regions Bank	\$ 695,122
Rural Development Agency (RDA)	82,571
Peoples Bank	6,343
Total Notes Payable	<u>784,036</u>
Less: Current Portion	<u>(92,341)</u>
Long Term Portion	<u>\$ 691,695</u>

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

<u>Fiscal Year End</u>	
3/30/2012	92,715
6/30/2013	541,830
6/30/2014	9,253
6/30/2015	9,702
Thereafter	38,195
Total	<u>\$ 691,695</u>

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

	<u>Regions Bank</u>	<u>Rural Development Agency</u>	<u>Peoples Bank</u>
Date of Loan	8/17/2007	2/11/2000	4/30/2009
Interest Rate	Prime - 4.00 **	4.75%	6.75%
Original Balance	\$ 905,000	\$ 170,000	\$ 8,637
++ Reserve required	N/A	\$ 11,652	N/A
Payment	\$ 6,837	\$ 971	\$ 206
Frequency of Payments	monthly	monthly	monthly
Number of Payments	60 - Ballon	189	48
Loan Due Date	9/17/2012	3/17/2020	4/25/2013
Secured By	Real Estate	Real Estate	Lawn Mower

++ 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, 2010.

**In December 2008, the prime rate went to 3.5%. Therefore, the note payable at Regions Bank for the Women's Center is currently at 0% interest.

NOTE 8 - AWARDS

The awards consist of a \$441,348 grant from the Tennessee Department of Health, which includes \$198,666 of federal and \$242,682 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 \$38,213 under CFDA Number 10.551.

NOTE 9 – 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 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 9, 2010, the date which the financial statements are available to be issued. No material subsequent events have occurred that need to be disclosed.

JOE OSTERFELD, CPA

CERTIFIED PUBLIC ACCOUNTANT

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

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

We have audited the financial statements of Tony Rice Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 9, 2010. 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 Tony Rice Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tony Rice Center, Inc.'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 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.

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.

Compliance and Other Matters

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

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

Joe Osterfeld, CPA

Joe Osterfeld, CPA
Columbia, Tennessee
September 9, 2010