

**TONY RICE CENTER, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**JOE OSTERFELD, CPA  
CERTIFIED PUBLIC ACCOUNTANT  
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**TONY RICE CENTER, INC.**  
**FINANCIAL STATEMENTS AND AUDITOR'S REPORTS**  
**JUNE 30, 2011**

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# JOE OSTERFELD, CPA

CERTIFIED PUBLIC ACCOUNTANT

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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 Tennessee nonprofit organization) as of June 30, 2011, 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, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2011, 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.

My audit was performed for the purposes of forming an opinion on the basic financial statements of Tony Rice Center, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Joe Osterfeld, CPA  
Columbia, Tennessee  
September 14, 2011

**TONY RICE CENTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011**

**ASSETS**

<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 264,866
Grants receivable	64,702
Inventory	1,682
Prepaid expenses	<u>39,022</u>
<b>TOTAL CURRENT ASSETS</b>	<b>370,272</b>
 <b>TEMPORARILY RESTRICTED ASSETS:</b>	
Cash - Debt Service	<u>11,652</u>
<b>TOTAL TEMPORARILY RESTRICTED ASSETS</b>	<b>11,652</b>
 <b>PROPERTY AND EQUIPMENT:</b>	
Land, building, and equipment	2,138,813
Less: Accumulated depreciation	<u>(656,707)</u>
	1,482,106
 <b>OTHER ASSETS:</b>	
Utility deposit	<u>5,600</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 1,869,630</u></u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>	
Accrued vacation pay	\$ 10,516
Deferred revenue-fundraising	13,755
Current portion of long-term debt	<u>90,592</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>114,863</b>
 <b>LONG-TERM LIABILITIES:</b>	
Notes payable	687,750
Less: current portion	<u>(90,592)</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b><u>597,158</u></b>
<b>TOTAL LIABILITIES</b>	<b>712,021</b>
 <b>NET ASSETS:</b>	
Unrestricted	1,145,957
Temporarily restricted for Debt Service	<u>11,652</u>
<b>TOTAL NET ASSETS</b>	<b><u><u>1,157,609</u></u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 1,869,630</u></u></b>

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

**TONY RICE CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
<b>PUBLIC SUPPORT AND REVENUE:</b>			
Awards	\$ -	\$ 506,490	\$ 506,490
Contributions	10,292	-	10,292
Total public support	<u>10,292</u>	<u>506,490</u>	<u>516,782</u>
Rents from participants	180,433	-	180,433
Board of Parole & Probation	323,453	-	323,453
DUI School & Classes	21,525	-	21,525
Miscellaneous income	24,470	-	24,470
Fundraising	36,296	-	36,296
Gain on sale of asset	6,078	-	6,078
Interest income	671	-	671
Total revenue	<u>603,218</u>	<u>506,490</u>	<u>1,109,708</u>
Net assets released from restrictions	<u>506,490</u>	<u>(506,490)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,109,708</b>	<b>-</b>	<b>1,109,708</b>
<b>EXPENSES</b>			
Program Services: Residential halfway houses	948,239	-	948,239
Support Services: Fundraising expenses	22,661	-	22,661
<b>TOTAL EXPENSES</b>	<u>970,900</u>	<u>-</u>	<u>970,900</u>
<b>CHANGE IN NET ASSETS</b>	<b>138,808</b>	<b>-</b>	<b>138,808</b>
<b>BEGINNING ASSETS</b>	<u>1,007,149</u>	<u>11,652</u>	<u>1,018,801</u>
<b>ENDING NET ASSETS</b>	<u>\$ 1,145,957</u>	<u>\$ 11,652</u>	<u>\$ 1,157,609</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, 2011**

	<u>PROGRAM SERVICES</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and wages	\$ 456,889	\$ -	\$ 456,889
Payroll taxes	49,024	-	49,024
Fringe benefits	49,392	-	49,392
Advertising	1,552	-	1,552
Insurance	33,770	-	33,770
Food and groceries	80,826	-	80,826
Fundraising	-	22,661	22,661
Depreciation	74,866	-	74,866
Dues and subscriptions	155	-	155
License, fees and bonds	2,240	-	2,240
Professional expenses	5,400	-	5,400
Repair and maintenance	47,276	-	47,276
Supplies	40,219	-	40,219
Telephone	9,047	-	9,047
Utilities	58,642	-	58,642
Staff training	3,177	-	3,177
Travel expense	970	-	970
Interest	3,973	-	3,973
Miscellaneous	196	-	196
Vehicle	26,265	-	26,265
Contract labor	4,360	-	4,360
	<u>\$ 948,239</u>	<u>\$ 22,661</u>	<u>\$ 970,900</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, 2011**

<b>Cash flows from operating activities:</b>	
Increase (Decrease) in net assets	\$ 138,808
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	74,866
(Increase) Decrease in grants receivable	55,448
(Increase) Decrease in prepaid expenses	648
(Increase) Decrease in inventories	225
Increase (Decrease) in accrued expenses	540
Increase (Decrease) in deferred income	1,560
Net cash provided (used) by operating activities	<u>272,095</u>
<b>Cash flow from investing activities:</b>	
Purchase of fixed assets	(28,509)
Construction in Progress	<u>(32,648)</u>
Net cash (used) by investing activities	<u>(61,157)</u>
<b>Cash flow from financing activities:</b>	
Principal payments on notes payable	<u>(96,286)</u>
Net cash (used) by financing activities	<u>(96,286)</u>
<b>Net increase (decrease) in cash and equivalents</b>	114,652
<b>Cash and cash equivalents, beginning of year</b>	<u>150,214</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 264,866</u></u>
 <b>Supplemental disclosures of cash flow information:</b>	
Cash paid during the year for interest expense	<u><u>\$ 3,973</u></u>

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

**TONY RICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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 follows US generally accepted accounting principles which require the Agency 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.

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, 2011.

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, 2011**

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.

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, 2011, 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, 2011.

**TONY RICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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, 2011:

<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	43,301	5,121
Buildings	30-40	1,752,189	428,759	1,323,430
Furniture and equipment	3-7	148,332	136,441	11,891
Vehicles	5	84,582	48,206	36,376
		<u>2,106,165</u>	<u>656,707</u>	<u>1,449,458</u>
Construction in Progress	N/A	<u>32,648</u>	<u>-</u>	<u>32,648</u>
Total		<u>\$ 2,138,813</u>	<u>\$ 656,707</u>	<u>\$ 1,482,106</u>

Depreciation expense for the year ended June 30, 2011 was \$74,866.

**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 - 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.

**TONY RICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 8 - NOTES PAYABLE**

Notes payable consist of:

Regions Bank	\$ 613,079
Rural Development Agency (RDA)	<u>74,671</u>
Total Notes Payable	687,750
Less: Current Portion	<u>(90,592)</u>
Long Term Portion	<u>\$ 597,158</u>

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

<u>Fiscal Year End</u>	
6/30/2013	\$ 539,853
6/30/2014	9,245
6/30/2015	9,694
6/30/2016	10,165
Thereafter	<u>28,201</u>
	<u>\$ 597,158</u>

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

	<u>Regions Bank</u>	<u>Rural Development Agency</u>
Date of Loan	08/17/07	02/11/00
Interest Rate	Prime - 4.00 **	4.75%
Original Balance	\$ 905,000	\$ 170,000
++Reserve required	N/A	\$ 11,652
Payment	\$ 6,837	\$ 971
Frequency of Payments	monthly	monthly
Number of Payments	60 - Ballon	189
Loan Due Date	09/17/12	03/17/20
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 at June 30, 2011.

\*\*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 9 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 14, 2011, the date which 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**  
**JUNE 30, 2011**

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Grantor Agency and Program Name</u>	<u>Balance 07/01/10</u>	<u>Grant Cash Receipts</u>	<u>Expenditures</u>	<u>Balance 06/30/11</u>
<u>US Department of Health and Human Services:</u>						
Passed Through the Tennessee Department of Health:						
93.959	Z09213840	Drug and Alcohol Block Grant *	(\$120,150)	\$120,150	\$0	\$0
93.959	GR1132828	Drug and Alcohol Block Grant *	0	391,353	456,055	(64,702) (A)
Total Drug and Alcohol Block Grant *			<u>(120,150)</u>	<u>511,503</u>	<u>456,055</u>	<u>(64,702)</u>
<u>US Department of Agriculture:</u>						
10.551		Food Stamps	0	50,435	50,435	0
Totals			<u>(\$120,150)</u>	<u>\$561,938</u>	<u>\$506,490</u>	<u>(\$64,702)</u>

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

(B): Advances due to the grantor if not used for program purposes.

\* : Represents a major program for Single Audit Purposes.

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

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

**Tony Rice Center, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: unqualified.

Internal control over financial reporting:

- Material weaknesses 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

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ yes  no
- Significant deficiencies identified that are not considered to be material weaknesses \_\_\_\_\_ yes  none reported

Type of auditor's report issued on compliance for major programs: unqualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ yes  no

Identification of major programs:

CFDA Number(s)

93.959

Name of Federal Program

Drug and Alcohol Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low risk? \_\_\_\_\_ yes  no

**Tony Rice Center, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

**Section II - Financial Statement Findings**

Current Year Findings: No matters were reported.

Prior Year Findings: No matters were reported.

**Section III - Federal Award Findings and Questioned Costs**

**US Department of Health and Human Services**  
**Drug and Alcohol Block Grant CFDA 93.959**  
**Passed Through the Tennessee Department of Health**

Current Year Findings: No matters were reported.

Prior Year Findings: Not applicable.

# 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, 2011, and have issued our report thereon dated September 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 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  
Columbia, Tennessee  
September 14, 2011

# JOE OSTERFELD, CPA

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## 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  
Tony Rice Center, Inc.  
Shelbyville, Tennessee

### Compliance

We have audited Tony Rice Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Tony Rice Center, Inc.'s major federal programs for the year ended June 30, 2011. Tony Rice Center, Inc.'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 Tony Rice Center, Inc.'s management. Our responsibility is to express an opinion on Tony Rice Center, Inc.'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 Tony Rice Center, Inc.'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 Tony Rice Center, Inc.'s compliance with those requirements.

In our opinion, Tony Rice Center, Inc. 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

Management of Tony Rice Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Tony Rice Center, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 Tony Rice Center, Inc.'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 was not 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 and use of management, others within the entity, the Board of Directors, 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 14, 2011