

TONY RICE CENTER, INC.

FINANCIAL STATEMENTS

JUNE 30, 2009

**JOE OSTERFELD, CPA
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JUNE 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of the Tony Rice Center, Inc. (a nonprofit organization) as of June 30, 2009, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tony Rice Center, Inc. as of June 30, 2009, 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 4, 2009, on my consideration of Tony Rice Center, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.



Joe Osterfeld, CPA
Columbia, Tennessee
September 4, 2009

TONY RICE CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 174,649
Grants receivable	33,700
Inventory	1,897
Prepaid expenses	<u>11,759</u>
TOTAL CURRENT ASSETS	222,005
 TEMPORARILY RESTRICTED ASSETS:	
Cash - Debt Service	11,652
Cash - Temporarily restricted	<u>10,000</u>
TOTAL CURRENT ASSETS	21,652
 PROPERTY AND EQUIPMENT:	
Land, building, and equipment	2,097,692
Less: Accumulated depreciation	<u>(553,944)</u>
	1,543,748
 OTHER ASSETS:	
Utility deposit	<u>5,600</u>
TOTAL ASSETS	<u><u>\$ 1,793,005</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accrued vacation pay	\$ 8,712
Deferred revenue-fundraising	11,965
Current portion of long-term debt	<u>91,825</u>
TOTAL CURRENT LIABILITIES	112,502
 LONG-TERM LIABILITIES:	
Notes payable	875,569
Less: current portion	<u>(91,825)</u>
TOTAL LONG-TERM LIABILITIES	<u>783,744</u>
TOTAL LIABILITIES	896,246
 NET ASSETS:	
Unrestricted	875,107
Temporarily restricted for Debt Service	<u>21,652</u>
TOTAL NET ASSETS	<u>896,759</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,793,005</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, 2009

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
PUBLIC SUPPORT AND REVENUE:			
Awards	\$ -	\$ 506,509	\$ 506,509
Contributions	<u>36,884</u>	<u>10,000</u>	<u>46,884</u>
Total public support	<u>36,884</u>	<u>516,509</u>	<u>553,393</u>
Rents from participants	236,300	-	236,300
Miscellaneous income	44,028	-	44,028
Fundraising	38,558	-	38,558
Interst income	<u>637</u>	<u>-</u>	<u>637</u>
Total revenue	<u>319,523</u>	<u>-</u>	<u>319,523</u>
Transfer debt service requirement	(583)	583	-
Net assets released from restrictions	<u>506,509</u>	<u>(506,509)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	862,333	10,583	872,916
EXPENSES			
Program Services: Residential halfway houses	748,009	-	748,009
Support Services: Fundraising expenses	<u>26,135</u>	<u>-</u>	<u>26,135</u>
TOTAL EXPENSES	<u>774,144</u>	<u>-</u>	<u>774,144</u>
CHANGE IN NET ASSETS	88,189	10,583	98,772
BEGINNING ASSETS	<u>786,918</u>	<u>11,069</u>	<u>797,987</u>
ENDING NET ASSETS	<u>\$ 875,107</u>	<u>\$ 21,652</u>	<u>\$ 896,759</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, 2009

	<u>PROGRAM SERVICES</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and wages	\$ 333,751	\$ -	\$ 333,751
Payroll taxes	30,687	-	30,687
Fringe benefits	41,183	-	41,183
Advertising	533	-	533
Insurance	35,736	-	35,736
Food and groceries	63,871	-	63,871
Fundraising	-	26,135	26,135
Depreciation	70,397	-	70,397
Dues and subscriptions	155	-	155
License, fees and bonds	5,375	-	5,375
Professional expenses	5,000	-	5,000
Repair and maintenance	24,996	-	24,996
Supplies	27,497	-	27,497
Telephone	8,070	-	8,070
Utilities	55,152	-	55,152
Staff training	1,766	-	1,766
Travel expense	265	-	265
Interest	7,514	-	7,514
Miscellaneous	657	-	657
Vehicle	23,128	-	23,128
Contract labor	12,276	-	12,276
	<u>\$ 748,009</u>	<u>\$ 26,135</u>	<u>\$ 774,144</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, 2009

Cash flows from operating activities:	
Increase (Decrease) in net assets	\$ 98,772
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	70,397
(Increase) Decrease in grants receivable	(3,700)
(Increase) Decrease in prepaid expenses	(7,187)
(Increase) Decrease in inventories	(424)
(Increase) Decrease in other assets	-
(Increase) Decrease in temporarily restricted assets	(10,583)
Increase (Decrease) in accrued expenses	(599)
Increase (Decrease) in deferred income	550
Net cash provided (used) by operating activities	<u>147,226</u>
Cash flow from investing activities:	
Purchase of fixed assets	<u>(16,873)</u>
Net cash (used) by investing activities	<u>(16,873)</u>
Cash flow from financing activities:	
Proceeds from notes payable	8,637
Principal payments on notes payable	<u>(94,806)</u>
Net cash (used) by financing activities	<u>(86,169)</u>
Net increase (decrease) in cash and equivalents	44,184
Cash and cash equivalents, beginning of year	<u>130,465</u>
Cash and cash equivalents, end of year	<u>\$ 174,649</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest expense	<u>\$ 7,514</u>

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

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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.

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.

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 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, 2009, 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.

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009.

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, 2009:

<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	37,034	11,388
Buildings	30-40	1,748,889	313,916	1,434,973
Furniture and equipment	3-7	155,662	130,915	24,747
Vehicles	5	72,079	72,079	-
		<u>\$ 2,097,692</u>	<u>\$ 553,944</u>	<u>\$ 1,543,748</u>

Depreciation expense for the year ended June 30, 2008 was \$70,397.

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 - AWARDS

The awards consist of a \$446,122 grant from the Tennessee Department of Health, which includes \$446,122 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 \$35,830.

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8 - NOTES PAYABLE

Notes payable consist of:

Regions Bank	\$ 777,165
Rural Development Agency (RDA)	90,105
Peoples Bank	8,299
Total Notes Payable	<u>875,569</u>
Less: Current Portion	<u>(91,825)</u>
Long Term Portion	<u>\$ 783,744</u>

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

<u>Fiscal Year End</u>	
6/30/11	92,179
3/30/12	92,717
6/30/13	541,847
6/30/14	9,260
Thereafter	47,741
Total	<u>\$ 783,744</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	\$ 11,069	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, 2009.

**In October 2008, the prime interest rate went to 4% and then in December 2008 went to 3.5%. Therefore, the note payable at Regions Bank for the "new" Women's Center is currently at 0% interest.

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 and a \$10,000 cash donation to be used toward the purchase of a new van.

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 the Tony Rice Center, Inc. (a nonprofit corporation) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 4, 2009. 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 the 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, the Board of Directors, others within the entity, 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.

A handwritten signature in black ink that reads "Joe Osterfeld". The signature is written in a cursive, flowing style.

Joe Osterfeld, CPA
Columbia, Tennessee
September 4, 2009