

**TONY RICE CENTER, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**JOE OSTERFELD, CPA  
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**TONY RICE CENTER, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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# **Joe Osterfeld, CPA**

**Certified Public Accountant**

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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, 2018, 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, 2018, 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 of the Tony Rice Center, Inc. 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 November 2, 2018, 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 solely 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 effectiveness 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**

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Joe Osterfeld, CPA  
Columbia, Tennessee  
November 2, 2018

**TONY RICE CENTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**

**ASSETS**

<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 346,102
Grants receivable	35,806
Inventory	2,093
Prepaid expenses	<u>3,869</u>
<b>TOTAL CURRENT ASSETS</b>	<b>387,870</b>
 <b>PROPERTY AND EQUIPMENT:</b>	
Land, building, and equipment	2,220,294
Less: Accumulated depreciation	<u>1,124,106</u>
	1,096,188
 <b>OTHER ASSETS:</b>	
Utility deposit	<u>5,200</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 1,489,258</u></u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>	
Accrued vacation pay	\$ 18,247
Accounts payable	809
Deferred revenue-fundraising	3,085
Current portion of long-term debt	<u>63,206</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>85,347</b>
 <b>LONG-TERM LIABILITIES:</b>	
Notes payable	156,642
Less: Current portion	<u>(63,206)</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b><u>93,436</u></b>
<b>TOTAL LIABILITIES</b>	<b>178,783</b>
 <b>NET ASSETS:</b>	
Unrestricted	1,310,475
Temporarily restricted for Debt Service	<u>-</u>
<b>TOTAL NET ASSETS</b>	<b><u>1,310,475</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 1,489,258</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, 2018**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
<b>PUBLIC SUPPORT AND REVENUE:</b>			
Awards	\$ -	\$ 651,555	\$ 651,555
Contributions	9,072	-	9,072
<b>Total public support</b>	<u>9,072</u>	<u>651,555</u>	<u>660,627</u>
Rents from participants	69,385	-	69,385
Board of Parole & Probation	108,910	-	108,910
DUI School & Classes	32,859	-	32,859
Miscellaneous income	17,081	-	17,081
Fundraising	1,952	-	1,952
Gain/(Loss) on sale of asset	-	-	-
Interest income	494	-	494
<b>Total revenue</b>	<u>239,753</u>	<u>651,555</u>	<u>891,308</u>
Net assets released from restrictions	<u>663,207</u>	<u>(663,207)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>902,960</b>	<b>(11,652)</b>	<b>891,308</b>
<b>EXPENSES</b>			
Program Services: Residential halfway houses	819,951	-	819,951
Support Services: Fundraising expenses	2,096	-	2,096
<b>TOTAL EXPENSES</b>	<u>822,047</u>	<u>-</u>	<u>822,047</u>
<b>CHANGE IN NET ASSETS</b>	<b>80,913</b>	<b>(11,652)</b>	<b>69,261</b>
<b>BEGINNING ASSETS</b>	<u>1,229,562</u>	<u>11,652</u>	<u>1,241,214</u>
<b>ENDING NET ASSETS</b>	<u>\$ 1,310,475</u>	<u>\$ -</u>	<u>\$ 1,310,475</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, 2018**

	<u>PROGRAM SERVICES</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and wages	\$ 405,050	\$ -	\$ 405,050
Payroll taxes	49,430	-	49,430
Fringe benefits	1,073	-	1,073
Advertising	200	-	200
Insurance	39,005	-	39,005
Food and groceries	94,610	-	94,610
Fundraising	-	2,096	2,096
Depreciation	63,327	-	63,327
Dues and subscriptions	165	-	165
License, fees and bonds	4,007	-	4,007
Professional expenses	6,500	-	6,500
Repair and maintenance	39,023	-	39,023
Supplies	30,725	-	30,725
Telephone	7,646	-	7,646
Utilities	49,881	-	49,881
Staff training	1,359	-	1,359
Interest	8,180	-	8,180
Medical testing	440	-	440
Miscellaneous	782	-	782
Vehicle	10,560	-	10,560
Contract labor	7,988	-	7,988
	<u>\$ 819,951</u>	<u>\$ 2,096</u>	<u>\$ 822,047</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, 2018**

<b>Cash flows from operating activities:</b>	
Increase (Decrease) in net assets	\$ 69,261
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	63,327
(Increase) Decrease in grants receivable	7,853
(Increase) Decrease in prepaid expenses	16,269
(Increase) Decrease in inventories	(674)
Increase (Decrease) in deferred revenue	85
Increase (Decrease) in accrued expenses	6,707
Increase (Decrease) in accounts payable	71
Net cash provided (used) by operating activities	<u>162,899</u>
<b>Cash flow from investing activities:</b>	
Purchase of fixed assets	<u>(19,688)</u>
Net cash (used) by investing activities	<u>(19,688)</u>
<b>Cash flow from financing activities:</b>	
Principal payments on notes payable	<u>(78,752)</u>
Net cash (used) by financing activities	<u>(78,752)</u>
<b>Net increase (decrease) in cash and equivalents</b>	<b>64,459</b>
<b>Cash and cash equivalents, beginning of year</b>	<u>281,643</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 346,102</u>
<b>Supplemental disclosures of cash flow information:</b>	
Cash paid during the year for interest expense	<u>\$ 8,180</u>

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



**TONY RICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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, 2018.

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.

**TONY RICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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. The Center's Form 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2016, 2017 and 2018 are subject to examination by the IRS, generally for 3 years after they are filed. There are no examinations currently in process. Management has concluded that the Corporation has taken no uncertain tax positions as of June 30, 2018. Therefore, no provision for income taxes has been included in the Corporation's financial statements.

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, 2018, 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. When the value of donated services is ascertainable, the amounts are reflected in the financial statements as revenues and expenses.

**TONY RICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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, 2018.

**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::

<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	96,536	58,785
Buildings	30-40	1,744,132	797,112	947,020
Furniture and equipment	3-7	155,480	145,604	9,876
Vehicles	5	92,721	84,854	7,867
Total		<u>2,220,294</u>	<u>1,124,106</u>	<u>1,096,188</u>

Depreciation expense for the year ended June 30, 2018 was \$61,086.

**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.

**TONY RICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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 - 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 7 - NOTES PAYABLE**

Notes payable consist of:

Regions Bank	\$ 156,642
Less: Current Portion	<u>63,206</u>
Long Term Portion	<u><u>\$ 93,436</u></u>

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

<u>Fiscal Year End</u>	
6/30/2019	63,206
6/30/2020	65,492
6/30/2021	<u>27,944</u>
	<u><u>\$ 156,642</u></u>

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

	<u>Regions Bank</u>
Date of Loan	11/12/2015
Interest Rate	4.10%
Original Balance	\$306,936
Payment	\$5,675
Frequency of Payments	monthly
Number of Payments	60
Loan Due Date	11/12/2020
Secured By	Real Estate

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 2, 2018, 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, 2018**

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Grantor Agency and Program Name</u>	<u>Balance July 1, 2017</u>	<u>Grant Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2018</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 4892-2016-2017-028	Drug and Alcohol Block Grant	(31,338)	31,338		-
93.959	DGA 53380-2017-2018-028	Drug and Alcohol Block Grant	-	469,999	492,274	(22,275) (A)
Total Drug and Alcohol Block Grant			<u>(31,338)</u>	<u>501,337</u>	<u>492,274</u>	<u>(22,275)</u>
93.788	DGA 55356-2017-2018-028	Opioid State Targeted Response	-	71,550	74,960	(3,410) (A)
93.788	DGA 5709-2017-2018-027	Opioid State Targeted Response	-	12,500	12,500	-
Total Opioid State Targeted Response			<u>-</u>	<u>84,050</u>	<u>87,460</u>	<u>(3,410)</u>
<u>U.S. Department of Agriculture</u>						
10.551		Food Stamps	-	71,821	71,821	-
Total Federal Awards			<u>\$ (31,338)</u>	<u>\$ 657,208</u>	<u>\$ 651,555</u>	<u>\$ (25,685)</u>
<u>Tennessee Department of Mental Health and Substance Abuse Services</u>						
<u>Fee for Services Contracts</u>						
	330008	Community Treatment Collaborative	(12,321)	12,321		-
	330009	Community Treatment Collaborative		98,789	108,910	(10,121) (A)
Total State Contracts			<u>\$ (12,321)</u>	<u>\$ 111,110</u>	<u>\$ 108,910</u>	<u>\$ (10,121)</u>
Total Federal and State Awards & Contracts			<u>\$ (43,659)</u>	<u>\$ 768,318</u>	<u>\$ 760,465</u>	<u>\$ (35,806)</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.

The Agency did not elect to use the 10 percent de minimis indirect cost rate.

The Agency has approved indirect cost allocation plan with the TN Department of Mental Health and Substance Abuse Services.

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

**TONY RICE CENTER, INC.  
ROSTER OF BOARD MEMBERS AND EXECUTIVE DIRECTOR  
JUNE 30, 2018**

**Board Members**

Ernie Scott - President

Jeff Gilley - Vice President

Jimmy Burton - Secretary/Treasurer

Serge Aude - Board Member

Carter Clay - Board Member

Chris Clay- Board Member

Dr. Howard Rupard – 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 of  
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 Tony Rice Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 November 2, 2018.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tony Rice Center, Inc.'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 Tony Rice Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Tony Rice Center, Inc.'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 Tony Rice Center, Inc.'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

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Joe Osterfeld, CPA  
Columbia, Tennessee  
November 2, 2018

