

**TONY RICE CENTER, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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**TONY RICE CENTER, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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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, 2012, 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 the 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, 2012, 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 November 13, 2012 on our consideration of the 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Joe Osterfeld, CPA  
Columbia, Tennessee  
November 13, 2012

**TONY RICE CENTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2012**

**ASSETS**

<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 201,742
Grants receivable	1,815
Inventory	2,095
Prepaid expenses	<u>29,679</u>
<b>TOTAL CURRENT ASSETS</b>	<b>235,331</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	2,224,620
Less: Accumulated depreciation	<u>(737,561)</u>
	<b>1,487,059</b>
<b>OTHER ASSETS:</b>	
Utility deposit	<u>5,600</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 1,739,642</u></u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>	
Accrued vacation pay	\$ 17,219
Deferred revenue-fundraising	11,480
Current portion of long-term debt	<u>519,853</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>548,552</b>
<b>LONG-TERM LIABILITIES:</b>	
Notes payable	577,424
Less: Current portion	<u>(519,853)</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b><u>57,571</u></b>
<b>TOTAL LIABILITIES</b>	<b>606,123</b>
<b>NET ASSETS:</b>	
Unrestricted	1,121,867
Temporarily restricted for Debt Service	<u>11,652</u>
<b>TOTAL NET ASSETS</b>	<b><u><u>1,133,519</u></u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 1,739,642</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, 2012**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
<b>PUBLIC SUPPORT AND REVENUE:</b>			
Awards	\$ -	\$ 530,099	\$ 530,099
Contributions	<u>12,882</u>	<u>-</u>	<u>12,882</u>
Total public support	<u>12,882</u>	<u>530,099</u>	<u>542,981</u>
Rents from participants	164,785	-	164,785
Board of Parole & Probation	249,794	-	249,794
DUI School & Classes	19,495	-	19,495
Miscellaneous income	20,855	-	20,855
Fundraising	32,320	-	32,320
Interest income	<u>732</u>	<u>-</u>	<u>732</u>
Total revenue	<u>500,863</u>	<u>530,099</u>	<u>1,030,962</u>
Net assets released from restrictions	<u>530,099</u>	<u>(530,099)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,030,962</b>	<b>-</b>	<b>1,030,962</b>
<b>EXPENSES</b>			
Program Services: Residential halfway houses	1,035,177	-	1,035,177
Support Services: Fundraising expenses	<u>19,875</u>	<u>-</u>	<u>19,875</u>
<b>TOTAL EXPENSES</b>	<u>1,055,052</u>	<u>-</u>	<u>1,055,052</u>
<b>CHANGE IN NET ASSETS</b>	<b>(24,090)</b>	<b>-</b>	<b>(24,090)</b>
<b>BEGINNING ASSETS</b>	<u>1,145,957</u>	<u>11,652</u>	<u>1,157,609</u>
<b>ENDING NET ASSETS</b>	<u>\$ 1,121,867</u>	<u>\$ 11,652</u>	<u>\$ 1,133,519</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, 2012**

	<u>PROGRAM SERVICES</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and wages	\$ 500,640	\$ -	\$ 500,640
Payroll taxes	49,972	-	49,972
Fringe benefits	92,613	-	92,613
Advertising	1,140	-	1,140
Insurance	30,829	-	30,829
Food and groceries	78,267	-	78,267
Fundraising	-	19,875	19,875
Depreciation	80,855	-	80,855
Dues and subscriptions	135	-	135
License, fees and bonds	2,632	-	2,632
Professional expenses	6,000	-	6,000
Repair and maintenance	45,731	-	45,731
Supplies	46,540	-	46,540
Telephone	10,125	-	10,125
Utilities	54,219	-	54,219
Staff training	380	-	380
Travel expense	121	-	121
Interest	3,369	-	3,369
Miscellaneous	1,049	-	1,049
Vehicle	26,000	-	26,000
Contract labor	4,560	-	4,560
	<u>\$ 1,035,177</u>	<u>\$ 19,875</u>	<u>\$ 1,055,052</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, 2012**

<b>Cash flows from operating activities:</b>	<b>\$ (24,090)</b>
Increase (Decrease) in net assets	80,855
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	62,887
(Increase) Decrease in grants receivable	9,342
(Increase) Decrease in prepaid expenses	(412)
(Increase) Decrease in inventories	6,703
Increase (Decrease) in accrued expenses	(2,275)
Increase (Decrease) in deferred income	<u>133,010</u>
Net cash provided (used) by operating activities	
<b>Cash flow from investing activities:</b>	<b>(85,807)</b>
Purchase of fixed assets	-
Construction in Progress	<u>(85,807)</u>
Net cash (used) by investing activities	
<b>Cash flow from financing activities:</b>	<b>(110,327)</b>
Principal payments on notes payable	<u>(110,327)</u>
Net cash (used) by financing activities	
<b>Net increase (decrease) in cash and equivalents</b>	<b>(63,124)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>264,866</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u><u>\$ 201,742</u></u></b>
 <b>Supplemental disclosures of cash flow information:</b>	
Cash paid during the year for interest expense	<u><u>\$ 3,369</u></u>

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

**TONY RICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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.

**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, 2012.

**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, 2012**

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, 2012, 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, 2012.

**TONY RICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012:

<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	51,736	103,585
Buildings	30-40	1,759,188	486,676	1,272,512
Furniture and equipment	3-7	152,889	141,319	11,570
Vehicles	5	84,582	57,830	26,752
Total		<u>2,224,620</u>	<u>737,561</u>	<u>1,487,059</u>

Depreciation expense for the year ended June 30, 2012 was \$80,855.

**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 \$476,622 grant from the Tennessee Department of Health, which includes \$476,622 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 \$53,477.

**NOTE 8 – 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, 2012**

**NOTE 9 - NOTES PAYABLE**

Notes payable consist of:

Regions Bank	\$ 511,035
Rural Development Agency (RDA)	<u>66,389</u>
Total Notes Payable	577,424
Less: Current Portion	<u>(519,853)</u>
Long Term Portion	<u><u>\$ 57,571</u></u>

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

<u>Fiscal Year End</u>	
6/30/2014	9,245
6/30/2015	9,694
6/30/2016	10,165
Thereafter	<u>28,367</u>
	<u><u>\$ 57,571</u></u>

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

	<u>Regions Bank</u>	<u>Rural Development Agency</u>
Date of Loan	8/17/2007	2/11/2000
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	9/17/2012	3/17/2020
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 as of June 30, 2012.

\*\*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 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 13, 2012 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 FEDERAL AWARDS  
JUNE 30, 2012**

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Grantor Agency and Program Name</u>	<u>Balance July 1, 2011</u>	<u>Grant Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2012</u>
		<u>U.S. Department of Health and Human Services:</u>				
		Passed Through the Tennessee Department of Mental Health:				
93.959	GR1132828	Drug and Alcohol Block Grant*	(64,702)	64,702		-
93.959	GR1235425	Drug and Alcohol Block Grant*	-	474,807	476,622	(1,815) (A)
		Total Drug and Alcohol Block Grant *	<u>(64,702)</u>	<u>539,509</u>	<u>476,622</u>	<u>(1,815)</u>
		<u>U.S. Department of Agriculture</u>				
10.551		Food Stamps	-	53,477	53,477	-
		Totals	<u>\$ (64,702)</u>	<u>\$ 592,986</u>	<u>\$ 530,099</u>	<u>\$ (1,815)</u>

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

\* 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, 2012**

**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  
Alcohol & Drug 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, 2012**

**Section II - Financial Statement Findings**

**Current Year Findings:**           No matters were reported.

**Prior Year Findings:**       No matters were reported.

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

**Current Year Findings:**           No matters were reported.

**Prior Year Findings:**       No matters were reported.