

TONY RICE CENTER, INC.

FINANCIAL STATEMENTS

JUNE 30, 2014

**JOE OSTERFELD, CPA
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TONY RICE CENTER, INC.
FINANCIAL STATEMENTS
JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statement of financial position of the Tony Rice Center, Inc., as of and for the year ended June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended.

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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tony Rice Center, Inc., as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tony Rice Center, Inc.'s basic financial statements. The 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 also not a required part of the basic financial statements. The schedule of state fee for services is presented for purposes of additional analysis as required by the State of Tennessee and is not a required part of the basic financial statements.

The schedules of expenditures of federal awards and state fee for services are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and state fee for services are fairly stated in all material respects in relation to the basic 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 7, 2014, 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* in considering the Organization's internal control over financial reporting and compliance.

Joe Osterfeld
CPA

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Joe Osterfeld, CPA
Columbia, Tennessee
November 7, 2014

TONY RICE CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 259,381
Grants receivable	42,218
Inventory	1,781
Prepaid expenses	<u>16,291</u>
TOTAL CURRENT ASSETS	319,671
 TEMPORARILY RESTRICTED ASSETS:	
Cash - Debt Service	<u>11,652</u>
TOTAL TEMPORARILY RESTRICTED ASSETS	11,652
 PROPERTY AND EQUIPMENT:	
Land, building, and equipment	2,215,464
Less: Accumulated depreciation	<u>885,289</u>
	1,330,175
 OTHER ASSETS:	
Utility deposit	<u>5,600</u>
TOTAL ASSETS	<u><u>\$ 1,667,098</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accrued vacation pay	\$ 17,231
Deferred revenue-fundraising	3,000
Current portion of long-term debt	<u>76,516</u>
TOTAL CURRENT LIABILITIES	96,747
 LONG-TERM LIABILITIES:	
Notes payable	444,871
Less: Current portion	<u>(76,516)</u>
TOTAL LONG-TERM LIABILITIES	<u>368,355</u>
TOTAL LIABILITIES	465,102
 NET ASSETS:	
Unrestricted	1,190,344
Temporarily restricted for Debt Service	<u>11,652</u>
TOTAL NET ASSETS	<u>1,201,996</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,667,098</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, 2014**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
PUBLIC SUPPORT AND REVENUE:			
Awards	\$ -	\$ 502,240	\$ 502,240
Contributions	24,329	-	24,329
Total public support	<u>24,329</u>	<u>502,240</u>	<u>526,569</u>
Rents from participants	44,953	-	44,953
Board of Parole & Probation	199,961	-	199,961
DUI School & Classes	42,390	-	42,390
Miscellaneous income	20,112	-	20,112
Fundraising	34,862	-	34,862
Gain/(Loss) on sale of asset	(4,728)	-	(4,728)
Interest income	458	-	458
Total revenue	<u>362,337</u>	<u>502,240</u>	<u>864,577</u>
Net assets released from restrictions	<u>502,240</u>	<u>(502,240)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	864,577	-	864,577
EXPENSES			
Program Services: Residential halfway houses	840,256	-	840,256
Support Services: Fundraising expenses	26,733	-	26,733
TOTAL EXPENSES	<u>866,989</u>	<u>-</u>	<u>866,989</u>
CHANGE IN NET ASSETS	(2,412)	-	(2,412)
BEGINNING ASSETS	<u>1,192,756</u>	<u>11,652</u>	<u>1,204,408</u>
ENDING NET ASSETS	<u>\$ 1,190,344</u>	<u>\$ 11,652</u>	<u>\$ 1,201,996</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, 2014

	<u>PROGRAM SERVICES</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and wages	\$ 426,897	\$ -	\$ 426,897
Payroll taxes	34,700	-	34,700
Fringe benefits	1,208	-	1,208
Advertising	1,243	-	1,243
Insurance	40,012	-	40,012
Food and groceries	77,960	-	77,960
Fundraising	-	26,733	26,733
Depreciation	77,594	-	77,594
Dues and subscriptions	469	-	469
License, fees and bonds	5,557	-	5,557
Professional expenses	6,500	-	6,500
Repair and maintenance	28,615	-	28,615
Supplies	35,321	-	35,321
Telephone	10,704	-	10,704
Utilities	49,106	-	49,106
Staff training	675	-	675
Travel expense	231	-	231
Interest	16,761	-	16,761
Miscellaneous	360	-	360
Vehicle	16,911	-	16,911
Contract labor	9,432	-	9,432
	<u>\$ 840,256</u>	<u>\$ 26,733</u>	<u>\$ 866,989</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, 2014

Cash flows from operating activities:	
Increase (Decrease) in net assets	\$ (2,412)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	77,594
Loss on disposal of asset	4,728
(Increase) Decrease in grants receivable	26,018
(Increase) Decrease in prepaid expenses	207
(Increase) Decrease in inventories	115
Increase (Decrease) in accrued expenses	203
Increase (Decrease) in deferred income	<u>(6,535)</u>
Net cash provided (used) by operating activities	<u>99,918</u>
 Cash flow from investing activities:	
Purchase of fixed assets	<u>(4,386)</u>
Net cash (used) by investing activities	<u>(4,386)</u>
 Cash flow from financing activities:	
Principal payments on notes payable	<u>(73,593)</u>
Net cash (used) by financing activities	<u>(73,593)</u>
 Net increase (decrease) in cash and equivalents	21,939
 Cash and cash equivalents, beginning of year	<u>249,094</u>
 Cash and cash equivalents, end of year	<u><u>\$ 271,033</u></u>
 Supplemental disclosures of cash flow information:	
 Cash paid during the year for interest expense	 <u><u>\$ 16,761</u></u>

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

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014.

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.

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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.

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, 2012, 2013 and 2014 are subject to examination by the IRS, generally for 3 years after they are filed. There are no tax examinations currently in process. Management has concluded that the Center has taken no uncertain tax positions as of June 30, 2014. Therefore, no provision for income taxes has been included in the Center'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, 2014, there were no planned major maintenance activities.

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014.

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, 2014:

<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	67,144	88,177
Buildings	30-40	1,750,032	590,492	1,159,540
Furniture and equipment	3-7	152,889	150,575	2,314
Vehicles	5	84,582	77,078	7,504
Total		<u>2,215,464</u>	<u>885,289</u>	<u>1,330,175</u>

Depreciation expense for the year ended June 30, 2014 was \$77,594.

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 consists two grants: A grant from the Tennessee Department of Health, which includes \$460,364 of federal expenditures passed through from a Drug and Alcohol Block Grant from the U.S. Department of Health and Human Services under CFDA Number 93.959. The other grant is a federal award of \$42,876 from U.S. Department of Agriculture for Food Stamps expenditures assistance.

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.

NOTE 9 - NOTES PAYABLE

Notes payable consist of:

Regions Bank	\$ 396,276
Rural Development Agency (RDA)	48,595
Total Notes Payable	<u>444,871</u>
Less: Current Portion	<u>(76,516)</u>
Long Term Portion	<u><u>\$ 368,355</u></u>

TONY RICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

<u>Fiscal Year End</u>	
6/30/2016	339,618
6/30/2017	10,658
6/30/2018	11,176
Thereafter	<u>6,903</u>
	<u>\$ 368,355</u>

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

	<u>Regions Bank</u>	<u>Rural Development Agency</u>
Date of Loan	10/30/2012	2/11/2000
Interest Rate	3.25%	4.75%
Original Balance	\$497,361	\$ 170,000
++Reserve required	N/A	\$ 11,652
Payment	\$6,559	\$ 971
Frequency of Payments	monthly	monthly
Number of Payments	35	189
Loan Due Date	11/1/2015	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, 2014.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 7, 2014 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, 2014**

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Grantor Agency and Program Name</u>	<u>Balance July 1, 2013</u>	<u>Grant Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2014</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	GR1338621	Drug and Alcohol Block Grant*	(50,901)	50,901		-
93.959	GR1437982	Drug and Alcohol Block Grant*	-	433,414	460,364	(26,950) (A)
		Total Drug and Alcohol Block Grant *	<u>(50,901)</u>	<u>484,315</u>	<u>460,364</u>	<u>(26,950)</u>
<u>U.S. Department of Agriculture</u>						
10.551		Food Stamps	-	41,876	41,876	-
Totals			<u>\$ (50,901)</u>	<u>\$ 526,191</u>	<u>\$ 502,240</u>	<u>\$ (26,950)</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 STATE FEE FOR SERVICES
JUNE 30, 2014**

<u>Grantor Agency and Program Name</u>	<u>Balance July 1, 2013</u>	<u>Cash Receipts</u>	<u>Revenue</u>	<u>Balance June 30, 2014</u>
<u>Tennessee Department of Mental Health and Substance Abuse Services</u>				
Fee for Services Contracts				
Community Treatment Collaborative	\$ (16,125)	\$ 200,818	\$ 199,961	\$ (15,268) (A)
ADAT	-	4,879	4,879	-
ADAT-SPOT	(1,210)	1,595	385	-
Totals	<u>\$ (17,335)</u>	<u>\$ 207,292</u>	<u>\$ 205,225</u>	<u>\$ (15,268)</u>

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

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.

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
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 the Tony Rice Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 7, 2014.

Internal Control Over Financial Reporting

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

Joe Osterfeld, CPA
Columbia, Tennessee
November 7, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the 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 the Organization's major federal programs for the year ended June 30, 2014. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the Organization'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Tony Rice Center, Inc. complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that

could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 the Organization'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Joe Osterfeld
CPA

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Joe Osterfeld, CPA
Columbia, Tennessee
November 7, 2014