

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

COMMUNITY DEVELOPMENT CENTER

(A NOT-FOR-PROFIT CORPORATION)

June 30, 2013

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Development Center
Shelbyville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Community Development Center (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2013, 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 Community Development Center as of June 30, 2013, 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 as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance on page 16 is presented for purposes of additional analysis 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 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 September 24, 2013, on our consideration of Community Development Center'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 Community Development Center's internal control over financial reporting and compliance.

Winnett Associates, P.L.L.C.

September 24, 2013

STATEMENT OF FINANCIAL POSITION
COMMUNITY DEVELOPMENT CENTER

June 30, 2013

ASSETS

CURRENT ASSETS

Cash for general use - Note C	\$ 921,972
Certificates of deposit - Note C	304,119
Unconditional promises to give - Note E	77,984
Accounts receivable	425,304
Interest receivable	312
Prepaid expenses	7,860
TOTAL CURRENT ASSETS	<u>1,737,551</u>

CASH RESTRICTED TO ENDOWMENT
PROPERTY AND EQUIPMENT - Note G

500
<u>621,523</u>
TOTAL ASSETS
<u>\$ 2,359,574</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 55,123
Payroll taxes	1,127
Accrued leave - Note I	40,605
TOTAL LIABILITIES	<u>96,855</u>

NET ASSETS

Unrestricted	\$ 2,184,235
Temporarily restricted - Note D	77,984
Permanently restricted	500
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,359,574</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF ACTIVITIES
COMMUNITY DEVELOPMENT CENTER

Year ended June 30, 2013

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUE:				
Support:				
Grants	\$ 1,759,051	\$ -	\$ -	\$ 1,759,051
City and County	83,487	38,940		122,427
In-kind - Note J	80,889			80,889
Organizational contributions	16,587	39,044		55,631
Individual contributions	5,630			5,630
TOTAL SUPPORT	1,945,644	77,984		2,023,628
Revenue:				
Mother's Day Out	1,222			1,222
Early intervention	36,708			36,708
Early learning	9,535			9,535
Special events	108,445			108,445
	155,910			155,910
Interest income	4,900			4,900
Miscellaneous	343			343
TOTAL REVENUE	161,153			161,153
NET ASSETS RELEASED FROM RESTRICTIONS:				
Contributions - released from restrictions	34,996	(34,996)		-0-
TOTAL SUPPORT AND REVENUE	2,141,793	42,988		2,184,781
TOTAL EXPENSES AND LOSSES				
Expenses:				
Program services:				
Child Day Services	228,831			228,831
Family Support	259,086			259,086
Child Care Resource and Referral	201,095			201,095
Independent Support	745,609			745,609
Home Community Based Services	392,340			392,340
Early Learning Center	52,302			52,302
Supporting services:				
Management and general	247,024			247,024
Fund raising	29,273			29,273
TOTAL EXPENSES	2,155,560			2,155,560
CHANGES IN NET ASSETS	(13,767)	42,988		29,221
NET ASSETS AT BEGINNING OF YEAR	2,198,002	34,996	500	2,233,498
NET ASSETS AT END OF YEAR	\$ 2,184,235	\$ 77,984	\$ 500	\$ 2,262,719

The accompanying notes are an integral part of this financial statement.

STATEMENT OF FUNCTIONAL EXPENSES
COMMUNITY DEVELOPMENT CENTER

Year ended June 30, 2013

	Program Services		
	Child Day Services	Family Support Services	Child Care Resource & Referral
Salaries	\$ 114,549	\$ 25,977	\$ 128,561
Fringe benefits	20,735	5,657	25,711
TOTAL SALARIES AND FRINGE BENEFITS	135,284	31,634	154,272
Travel	338	340	12,894
Communications	3,065	1,443	3,463
Utilities	2,525	-	-
Postage and shipping	113	670	147
Professional services	1,238	26	1,221
Supplies	1,664	853	5,787
Food	1,630	-	187
Maintenance	8,128	813	3,791
Training and seminars	225	-	666
Rent	-	-	11,797
Insurance	1,041	213	5
In-kind expenses - Note J	36,188	560	300
Dues and subscriptions	965	-	704
Special events	-	-	-
Grants and subsidies	-	222,036	-
Uncollectible pledges	594	383	-
Miscellaneous	117	15	235
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	193,115	258,986	195,469
Depreciation	35,716	100	5,626
TOTAL EXPENSES	\$ 228,831	\$ 259,086	\$ 201,095

The accompanying notes are an integral part of this financial statement.

Program Services			Supporting Services		
Independent Support	Home Community Based Services	Early Learning Center	Management and General	Special Events	Total Expenses
\$ 525,980	\$ 232,320	\$ 22,797	\$ 169,994	\$ -	\$ 1,220,178
109,789	44,094	5,616	27,562	-	239,164
635,769	276,414	28,413	197,556	-	1,459,342
18,598	20,727	-	559	-	53,456
10,859	7,582	721	4,452	-	31,585
4,194	5,697	1,775	1,653	-	15,844
1,058	165	-	523	-	2,676
1,167	2,952	911	17,238	-	24,753
6,430	20,696	421	3,046	-	38,897
1,617	178	66	611	-	4,289
17,238	20,530	2,688	6,691	-	59,879
597	1,825	88	1,581	-	4,982
25,800	-	-	-	-	37,597
3,527	2,930	527	1,413	-	9,656
-	27,209	16,632	-	-	80,889
250	4,277	45	1,403	-	7,644
-	-	-	-	29,273	29,273
-	-	-	-	-	222,036
-	375	-	-	-	1,352
1,508	139	15	1,360	-	3,389
728,612	391,696	52,302	238,086	29,273	2,087,539
16,997	644	-	8,938	-	68,021
<u>\$ 745,609</u>	<u>\$ 392,340</u>	<u>\$ 52,302</u>	<u>\$ 247,024</u>	<u>\$ 29,273</u>	<u>\$ 2,155,560</u>

STATEMENT OF CASH FLOWS
COMMUNITY DEVELOPMENT CENTER

Year ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets		\$ 29,221
Adjustments to reconcile increase in net assets to cash used by operating activities:		
Depreciation and amortization	\$ 68,021	
Increase (decrease) in operating assets:		
Pledges receivable	(39,378)	
Accounts receivable	(102,085)	
Other receivable	20	
Interest receivable	89	
Prepaid expenses	7,642	
Deposits	600	
Increase (decrease) in operating liabilities:		
Accounts payable	3,813	
Accrued leave and wages	2,548	
Accrued payroll taxes	(524)	
	NET ADJUSTMENTS	(59,254)
	NET CASH USED BY OPERATING ACTIVITIES	(30,033)

CASH FLOWS FROM INVESTING ACTIVITIES:

Short-term investments, net	177,431	
Payments for property and equipment	(20,267)	
	NET CASH PROVIDED BY INVESTING ACTIVITIES	157,164
	NET INCREASE IN CASH AND CASH EQUIVALENTS	127,131
	BEGINNING CASH AND CASH EQUIVALENTS	794,841
	ENDING CASH AND CASH EQUIVALENTS	\$ 921,972

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS
COMMUNITY DEVELOPMENT CENTER

June 30, 2013

NOTE A - COMMUNITY DEVELOPMENT CENTER

The Community Development Center (the Center), formerly named Child Development Center, Bedford County, Marshall County and Lincoln County, was incorporated on April 14, 1972, as a Tennessee not-for-profit corporation whose primary purpose is to provide educational and social services to developmentally delayed children.

Since incorporation, the Center has added programs that provide services to families at risk, to mentally handicapped adults, and daycare centers. The Center is funded principally with state grants and contributions from the Cities of Shelbyville, Lewisburg and Fayetteville, the counties of Bedford, Marshall, Lincoln and Giles, civic clubs and private citizens.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Accounting Method

The financial statements of the Center are prepared on the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Contributions are recognized when a donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily (or permanently, when applicable) restricted assets. When a restriction expires, restricted net assets are reclassified to unrestricted net assets. The Center has not implied time restrictions on gifts of long-lived assets.

(2) Property and Equipment

Property and equipment purchased are stated at cost and donated property and equipment are stated at fair market value on the date contributed, less accumulated depreciation which is computed by the straight-line method over estimated useful lives of the individual assets as follows: furniture and equipment, 5-10 years; van, 4 years; bus, 7 years; building improvements, 5 and 10 years. Disbursements for property and equipment with a per unit cost in excess of \$500.00 are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. All furniture and equipment purchased with grant funds, as well as the proceeds from the disposal of such furniture and equipment, are subject to a reversionary ownership interest by the grantor agency.

(3) Allowance for Uncollectible Accounts

Indebtedness to the Center known to be uncollectible has been written off, and adequate provision, based upon a review of the current status of accounts receivable and historical collection experience, has been made for anticipated adjustments and for possible losses in collection of the remaining accounts.

NOTES TO FINANCIAL STATEMENTS (cont'd)
COMMUNITY DEVELOPMENT CENTER

June 30, 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(4) Functional Expenses

Functional expenses are allocated between Program Services and Supporting Services based on an analysis of personnel time and space utilized for the respective activities.

(5) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

(6) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers highly liquid investments with an initial maturity of three months or less which are neither designated nor restricted for long-term purposes to be cash equivalents.

(7) Contributed Services

The Center records various types of in-kind support, including contributed facilities and services. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The value of in-kind support meeting the requirements for recognition in the financial statements is disclosed in Note J. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Center, but these services do not meet the criteria for recognition as contributed services. The Center receives approximately 1,000 volunteer hours per year.

(8) Subsequent Events

Subsequent events have been evaluated through September 24, 2013, which is the date the financial statements were available to be issued.

NOTE C - CASH

The following is a summary of unrestricted cash at June 30, 2013:

	Cash Equivalents	Certificates of Deposit	Total
Cash for general use	<u>\$ 921,972</u>	<u>\$ 304,119</u>	<u>\$1,226,091</u>

NOTES TO FINANCIAL STATEMENTS (cont'd)

COMMUNITY DEVELOPMENT CENTER

June 30, 2013

NOTE D - RESTRICTIONS ON NET ASSETS

Of the temporarily restricted net assets at June 30, 2013, \$33,044 is United Way funding for the next year, \$6,000 is funding for next year from another non-profit organization, and \$38,940 is funding for next year from various cities and counties served by the Center. Permanently restricted net assets consist of endowment funds to be held indefinitely, the income from which is expendable to support the Center's program services.

NOTE E - PROMISES TO GIVE

Unconditional promises to give consist of the following:

United Way	\$ 33,044
City and County funding	38,940
Other organizations	<u>6,000</u>
	<u>\$ 77,984</u>

Amounts due in more than one year are not significant; thus no discount factor has been applied.

NOTE F - TAX-EXEMPT STATUS

The Center is exempt from federal income tax under Section 501(c) (3) of the U. S. Internal Revenue Code, is not a private foundation and does not conduct any unrelated business activities. Gifts to the Center are tax deductible as charitable contributions.

NOTE G - PROPERTY AND EQUIPMENT

Major classifications of property and equipment are as follows:

	Cost			Balance June 30, 2013
	Balance July 1, 2012	Additions	Retirements	
Equipment	\$ 250,596	\$ 14,872	\$ -	\$ 265,468
Vehicles	161,876	-	-	161,876
Land	42,830	-	-	42,830
Building, building improvements	<u>678,799</u>	<u>5,395</u>	<u>-</u>	<u>684,194</u>
	<u>\$ 1,134,101</u>	<u>\$ 20,267</u>	<u>\$ -</u>	<u>\$ 1,154,368</u>
	Accumulated Depreciation			Balance June 30, 2013
	Balance July 1, 2012	Additions	Retirements	
Equipment	\$ 172,901	\$ 23,751	\$ -	\$ 196,652
Vehicles	116,945	18,019	-	134,964
Building, building improvements	<u>175,766</u>	<u>25,800</u>	<u>-</u>	<u>201,566</u>
	<u>\$ 465,612</u>	<u>\$ 67,570</u>	<u>\$ -</u>	<u>\$ 533,182</u>

Computer software (net of amortization) in the amount of \$337 is also included in the Center's property and equipment.

NOTES TO FINANCIAL STATEMENTS (cont'd)

COMMUNITY DEVELOPMENT CENTER

June 30, 2013

NOTE H - LEASES

The Center conducts some of its programs from a building owned by Bedford County and the City of Shelbyville. The Center receives free use of this building.

Lincoln County provides facilities for the Center's Fayetteville operations. In addition to the free use of the facilities, building insurance and utilities are provided free of charge.

The Child Care Resource and Referral program leases facilities in Fayetteville on a yearly basis. Rental expenses for the facilities totaled \$4,500.

The Independent Support program leases facilities in Columbia. The agreement began January 1, 2013 and ends December 31, 2013. Amounts paid for the Columbia facilities totaled \$25,710. Future lease payments required under the lease for the Columbia facilities are as follows:

Year Ended	
<u>June 30,</u>	<u>Amount</u>
2014	\$ 10,975

NOTE I - ACCRUED ANNUAL LEAVE

This liability, in the amount of \$40,605, represents annual vacation earned by employees as of June 30, 2013, but not yet taken.

NOTE J - IN-KIND REVENUE AND EXPENSES

The Center received in-kind donations that consisted of the following:

Use of facilities, including utilities and insurance	\$80,889
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In-kind revenue and expenses reflected in the financial statements are not actual monies received or expended.

NOTE K - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

From time to time, the Center has on deposit in financial institutions funds that total in excess of the insured maximum of \$250,000. As of June 30, 2013, this risk amount, based on bank balances, was \$138,539. However, this at risk amount is subject to significant daily fluctuations throughout the year.

NOTE L - COMMITMENTS AND CONTINGENCIES

The Center receives a major portion of its funding from the Departments of Education, Human Services, and Finance and Administration, the Cities of Shelbyville, Lewisburg and Fayetteville, and the Counties of Bedford, Marshall, Lincoln and Giles. A major reduction of funds from these entities, should this occur, could have a significant effect on future operations. Additionally, federal and state programs are subject to agency monitoring and retroactive adjustments which may result in paybacks by the Center in excess of liabilities accrued on an estimated basis in the financial statements.

NOTES TO FINANCIAL STATEMENTS (cont'd)

COMMUNITY DEVELOPMENT CENTER

June 30, 2013

NOTE M - RETIREMENT PLAN

The Center maintains a defined contribution plan where benefits depend solely on the actual value of contributions at the time of an employee's retirement. The Center matches eligible employees' contributions up to two percent of the employees' annual compensation. Eligible employees include all full-time and regular part-time (20 hours or more per week) employees. The Center also provides retirement benefits for those employees who elect not to take health insurance coverage. The employer retirement benefit contributions are fixed by the Board of Directors. For the year ended June 30, 2013, the Center's contributions (two percent match and in-lieu-of health insurance) totaled \$73,943. Employees are fully vested for all contributions made to the plan.

NOTE N - RELATED PARTY TRANSACTIONS

The Center obtains insurance coverage through an agency owned by an ex-officio member of the Board of the Directors. During the year ended June 30, 2013, the Center expended \$48,997 to obtain this coverage.

NOTE O - RELATED ORGANIZATIONS

The Community Development Center Foundation (Foundation) is a nonprofit organization that was established to receive, hold, manage, and transfer property, real or personal, for the Center. The Foundation is also to manage any permanent special funds for the furtherance of the purposes of the agency and distribute funds to the Center to support and enhance programs for which funds are not provided by federal, state, and public sources.

NOTE P - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that contributions be measured at the fair value of the assets given. The present value of estimated future cash flows using a discount rate commensurate with the risks involved is an appropriate measure of fair value of unconditional promises to give cash. Unconditional promises to give that are expected to be paid in less than one year may be measured at net settlement value because that amount, although not equivalent to the present value of estimated future cash flows, results in a reasonable estimate of fair value.

Assets measured at fair value on a recurring basis using unobservable inputs (Level 3):

Pledges receivable	July 1, 2012	\$ 38,606
	Issuances	161,084
	Settlements	<u>121,706</u>
	June 30, 2013	<u>\$ 77,984</u>

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
COMMUNITY DEVELOPMENT CENTER
Year ended June 30, 2013

Grantor Agency	CFDA Number	Contract Number	Beginning Accrued	Cash Receipts	Expenditures	Ending Accrued
<u>FEDERAL AWARDS</u>						
Department of Education (1)	84.181A	DG13-C0000020	\$ -	\$ 44,872	\$ 75,907	\$ 31,035
	TOTAL FEDERAL AWARDS		-	44,872	75,907	31,035
<u>STATE FINANCIAL ASSISTANCE</u>						
TN Dept. of Intellectual and Developmental Disabilities		31633-GR133962	-	177,875	250,724	72,849
TN Dept. of Education		DG13-C0000020	-	229,560	329,700	100,140
TN Dept. of Finance and Administration		10-112M	-	810,551	880,774	-
Division of Intellectual Disabilities			76,463			146,686
TN Dept. of Education		DG12-C0000013	92,728	92,728	-	-
TN Dept. of Intellectual and Developmental Disabilities		GR1235386	45,846	45,846	-	-
	TOTAL STATE FINANCIAL ASSISTANCE		215,037	1,356,560	1,461,198	319,675
	TOTAL FEDERAL AND STATE AWARDS		\$ 215,037	\$ 1,401,432	\$ 1,537,105	\$ 350,710

(1) - Federal funds passed through the State of Tennessee, Department of Education

See independent auditors' report.

OTHER INFORMATION

DIRECTORY OF OFFICIALS
COMMUNITY DEVELOPMENT CENTER

June 30, 2013

DIRECTORS

Chesley Enloe	- Chairman	Donna Stone
Barry Childers	- Vice Chairman	Sherri Erwin
Kay Rose	- Treasurer	Denise Graham
Marilyn Massengale	- Secretary	Jim Sanders
Joe Hunt	- Ex-Officio	Helen Lowe
Jane Townes	- Ex-Officio	Anna Childress
Garrett Gordon	- Ch. Emeritus	Andy Bobo
Barbara Capps		Mike Matussek

See independent auditors' report.

**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**

Board of Directors
Community Development Center
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 Community Development Center (a not-for-profit-corporation), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2013.

Internal Control Over Financial Reporting

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

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.

Winnett Associates, P.L.L.C.

September 24, 2013