

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

RUTHERFORD COUNTY ADULT
ACTIVITY CENTER, INC.

June 30, 2007

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8 - 10

INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors
Rutherford County Adult Activity Center
P. O. Box 733
Murfreesboro, Tennessee 37133

We have audited the accompanying statements of financial position of the Rutherford County Adult Activity Center, Inc. as of June 30, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of the Rutherford County Adult Activity Center, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating 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 Rutherford County Adult Activity Center, Inc. as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Dempsey Vantrease & Follis PLLC

Murfreesboro, Tennessee
March 26, 2008

RUTHERFORD COUNTY ADULT ACTIVITY CENTER, INC.
Statements of Financial Position
June 30, 2007 and 2006

Assets

	<u>2007</u>	<u>2006</u>
Current assets		
Cash	\$ 226,315	\$ 288,513
Accounts receivable	99,823	47,433
Deposits	8,578	9,372
Prepaid insurance	36,405	40,786
Total current assets	<u>371,121</u>	<u>386,104</u>
Capital assets less accumulated depreciation	<u>634,514</u>	<u>651,964</u>
Total assets	<u><u>\$ 1,005,635</u></u>	<u><u>\$ 1,038,068</u></u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 58,284	\$ 18,186
Accrued salaries	-	66,288
Accrued leave payable	113,573	91,190
Other accrued expenses	33,521	46,941
Current portion of note payable	1,908	-
Line of credit	47,661	-
Client trust accounts	59,696	45,923
Total current liabilities	<u>314,643</u>	<u>268,528</u>
Note payable, less current portion	3,451	-
Net Assets		
Unrestricted Net Assets	<u>687,541</u>	<u>769,540</u>
Total Liabilities and Net Assets	<u><u>\$ 1,005,635</u></u>	<u><u>\$ 1,038,068</u></u>

See Notes to Financial Statements

RUTHERFORD COUNTY ADULT ACTIVITY CENTER, INC.

Statements of Activities

For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Unrestricted support and revenues		
Tennessee Division of Mental Retardation Services	\$ 4,579,315	\$ 4,322,348
Tennessee Department of Human Services-		
Division of Rehabilitation Services	3,000	15,489
Tennessee Department of Transportation	53,594	-
Rutherford County	24,570	24,570
United Way	71,709	70,122
Workshop contracts	107,943	95,300
Client rent	44,408	42,963
Contributions	8,327	9,750
(Loss) gain on disposal of fixed assets	(3,101)	14,467
Miscellaneous	2,674	5,911
Total unrestricted support and revenues	<u>4,892,439</u>	<u>4,600,920</u>
Expenses		
Program services:		
Day services	1,132,135	1,247,702
Residential services	3,322,188	2,864,127
Total program services expense	<u>4,454,323</u>	<u>4,111,829</u>
Supporting services:		
Management and general	520,115	464,491
Total expenses	<u>4,974,438</u>	<u>4,576,320</u>
Change in unrestricted net assets	(81,999)	24,600
Net assets, beginning of year	<u>769,540</u>	<u>744,940</u>
Net assets, end of year	<u><u>\$ 687,541</u></u>	<u><u>\$ 769,540</u></u>

See Notes to Financial Statements

RUTHERFORD COUNTY ADULT ACTIVITY CENTER, INC.
Statements of Functional Expenses
For the Years Ended June 30, 2007 and 2006

	Program Services			Supporting Services	Totals	
	Residential Services	Day Services	Total Program Services	Management and General	2007	2006
Salaries	\$ 2,571,638	\$ 648,905	\$ 3,220,543	\$ 263,638	\$ 3,484,181	\$ 3,129,372
Fringe benefits	446,219	135,199	581,418	48,861	630,279	615,317
Total salaries and fringe benefits	3,017,857	784,104	3,801,961	312,499	4,114,460	3,744,689
Travel	14,937	(24)	14,913	2,645	17,558	15,646
Communications	26,117	12,188	38,305	4,321	42,626	42,928
Utilities	18,807	26,268	45,075	5,768	50,843	42,198
Professional fees	-	-	-	9,725	9,725	14,755
Contracted services	2,845	1,770	4,615	65,522	70,137	41,711
Client wages & workshop expenses	-	86,946	86,946	-	86,946	106,593
Medical supplies	1,856	4,201	6,057	74	6,131	5,540
Office supplies	796	10,132	10,928	30,269	41,197	34,689
Food	77,751	1,883	79,634	9,641	89,275	76,269
Repairs & maintenance - building	18,998	2,165	21,163	1,625	22,788	25,235
Repairs & maintenance - vehicles	1,554	72,624	74,178	160	74,338	52,646
Fuel	14,815	87,346	102,161	-	102,161	106,616
Rent	30,631	7,872	38,503	2,393	40,896	40,681
Insurance	28,790	12,520	41,310	11,201	52,511	60,892
Postage	(13)	-	(13)	1,263	1,250	1,541
Seminars	846	683	1,529	2,719	4,248	685
Dues & subscriptions	165	-	165	7,389	7,554	7,847
Taxes & licenses	1,452	(80)	1,372	2,241	3,613	2,062
Bank charges	-	-	-	1,440	1,440	4,821
Client supplements	-	-	-	-	-	12,557
Client strap	5,548	-	5,548	-	5,548	13,590
Establishment	6,001	-	6,001	-	6,001	4,574
Interest expense	-	-	-	6,977	6,977	9,675
Advertising	-	-	-	6,406	6,406	5,217
Background expense	1,654	-	1,654	11,694	13,348	12,670
Depreciation	43,374	21,024	64,398	21,172	85,570	85,756
Miscellaneous	7,407	513	7,920	2,971	10,891	4,237
Total expenses	\$ 3,322,188	\$ 1,132,135	\$ 4,454,323	\$ 520,115	\$ 4,974,438	\$ 4,576,320

See Notes to Financial Statements

RUTHERFORD COUNTY ADULT ACTIVITY CENTER, INC.
Statements of Cash Flows
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Change in net assets	\$ (81,999)	\$ 24,600
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	85,570	85,756
Grant funds provided for equipment acquisition	(53,594)	-
Loss on disposal of equipment	3,101	-
Changes in current assets and liabilities		
(Increase) decrease in accounts receivable	(52,390)	535,512
Decrease in deposits	794	84
(Increase) decrease in prepaid insurance	4,381	(40,786)
Increase (decrease) in accounts payable	40,098	(52,933)
Decrease in accrued salaries	(66,288)	(22,170)
Increase (decrease) in accrued leave payable	22,383	(5,207)
Decrease in other accrued expenses	(13,420)	(116,841)
Increase in payables to clients	<u>13,773</u>	<u>11,090</u>
Net cash (used in) provided by operating activities	(97,591)	419,105
Cash flows from investing activities		
Proceeds from sale of fixed assets	550	-
Fixed assets purchased	<u>(18,177)</u>	<u>(35,274)</u>
Net cash used in investing activities	(17,627)	(35,274)
Cash flows from financing activities		
Net payments on line of credit	47,661	(81,248)
Proceeds from long-term debt	6,050	-
Payments on long-term debt	<u>(691)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>53,020</u>	<u>(81,248)</u>
Net (decrease) increase in cash	(62,198)	302,583
Cash at beginning of year	<u>288,513</u>	<u>(14,070)</u>
Cash at end of year	<u><u>\$ 226,315</u></u>	<u><u>\$ 288,513</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 6,977</u>	<u>\$ 10,216</u>
Grant funds provided in kind for equipment acquisition	<u><u>\$ 53,594</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements

Rutherford County Adult Activity Center, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Rutherford County Adult Activity Center, Inc. is a private, nonprofit agency established in 1974 to provide independent living and vocational training services to adults with mental retardation who live in Rutherford County. Currently, approximately 110 adults are served by the program. The Center operates one group home and seventeen companion homes in addition to its sheltered workshop.

A major portion of funding is provided by the Tennessee Division of Mental Retardation Services under a five year contract expiring December 31, 2009. A major reduction in these funds, should this occur, could have a significant effect upon future operations.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The accrual basis of accounting recognizes revenues when earned. Expenses are recorded when incurred.

Revenues

Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

Rutherford County Adult Activity Center, Inc.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

Tax-Exempt Status

The Rutherford County Adult Activity, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the accompanying financial statements. It is chartered as a not-for-profit corporation by the State of Tennessee.

NOTE B - CASH AND CASH EQUIVALENTS

For the statement of cash flows, the management considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at each June 30:

	2007	2006
State of Tennessee	\$ 73,839	\$ 25,407
Workshop Activities	11,093	14,517
Establishments	3,780	3,600
Clients and other	11,111	3,909
Total	<u>\$ 99,823</u>	<u>\$ 47,433</u>

NOTE D - FIXED ASSETS AND DEPRECIATION

Property and equipment acquisitions with a per-unit cost in excess of \$500 are capitalized at cost. Depreciation is taken on the straight-line method using estimated useful lives as follows:

	Life in years	
Buildings	25	\$ 285,196
Building improvements	25	15,017
Leasehold improvements	15 - 25	550,133
Furniture and fixtures	5 - 7	131,045
Transportation equipment	5	510,269
		<u>\$ 1,491,660</u>
Less accumulated depreciation		<u>876,941</u>
		614,719
Land		<u>19,795</u>
		<u>\$ 634,514</u>

Rutherford County Adult Activity Center, Inc.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE E - LINE OF CREDIT

The Center has a \$200,000 line of credit with FirstBank. At June 30, 2007, \$47,661 had been drawn on the line of credit. Interest is payable monthly at prime. The line matures in August 2008.

NOTE F - NOTE PAYABLE

The Center has a note payable in the original amount of \$6,050. The note is payable in monthly payments of principal and interest of \$191 through February 2, 2010. The note carries interest at 8.25% and is secured by an automobile. At June 30, 2007, the note balance was \$5,359. Maturity amounts for this note at each June 30 are as follows:

<u>June 30,</u>	
2008	\$ 1,908
2009	2,072
2010	<u>1,379</u>
	<u>\$ 5,359</u>

NOTE G - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the organization's various programs and activities have been summarized on a functional basis in the statement of activities. According, certain costs have been allocated among the programs and supporting services benefited.

NOTE H - CONCENTRATIONS OF CREDIT RISK

The Center maintains deposits in a financial institution that at times exceeds amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Center believes that there is no significant risk with respect to these deposits.