

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

COMMUNITY DEVELOPMENT CENTER

(A NOT-FOR-PROFIT CORPORATION)

June 30, 2009

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Development Center
Shelbyville, Tennessee

We have audited the accompanying statement of financial position of Community Development Center (a not-for-profit corporation) as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center'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 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 Community Development Center as of June 30, 2009, 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 October 21, 2009, 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 the 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 important for assessing the results of our audit.

Winnett Associates

October 21, 2009

STATEMENT OF FINANCIAL POSITION
COMMUNITY DEVELOPMENT CENTER

June 30, 2009

<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash for general use - Note C		\$	646,083.51
Certificates of deposit - Note C			497,630.68
Unconditional promises to give - Note E (Net of allowance of \$1,766.34)			28,179.36
Accounts receivable - Note B(3)			188,832.50
Interest receivable			2,417.34
Prepaid expenses			10,913.97
Deposits			600.00
	TOTAL CURRENT ASSETS	\$	1,374,657.36
CASH RESTRICTED TO ENDOWMENT			500.00
PROPERTY AND EQUIPMENT - Note G			681,790.84
	TOTAL ASSETS	\$	2,056,948.20
<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$	50,011.77
Unearned grants			6,048.96
Insurance payable			336.82
Payroll taxes			3,628.04
Accrued leave - Note I			40,708.19
DMRS - ISC Interim Loan Payable - Note J			12,500.00
	TOTAL LIABILITIES	\$	113,233.78
<u>NET ASSETS</u>			
Unrestricted	\$ 1,922,592.46		
Temporarily restricted - Note D	20,621.96		
Permanently restricted	500.00		1,943,714.42
	TOTAL LIABILITIES AND NET ASSETS	\$	2,056,948.20

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

STATEMENT OF ACTIVITIES
COMMUNITY DEVELOPMENT CENTER

Year ended June 30, 2009

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUE:				
Support:				
Grants	\$ 2,150,922.17			\$ 2,150,922.17
City and County	78,140.00			78,140.00
In-kind - Note K	77,140.08			77,140.08
Organizational contributions	42,043.32	20,621.96		62,665.28
Individual contributions	3,676.88			3,676.88
TOTAL SUPPORT	\$ 2,351,922.45	\$ 20,621.96		\$ 2,372,544.41
Revenue:				
Mother's Day Out	\$ 18,871.25			\$ 18,871.25
Special events	105,403.57			105,403.57
	\$ 124,274.82			\$ 124,274.82
Interest income	25,877.46			25,877.46
Miscellaneous	5,483.82			5,483.82
TOTAL REVENUE	\$ 155,636.10			\$ 155,636.10
NET ASSETS RELEASED FROM RESTRICTIONS:				
Contributions - released from restrictions	37,941.01	\$ (37,941.01)		-0-
TOTAL SUPPORT AND REVENUE	\$ 2,545,499.56	\$ (17,319.05)		\$ 2,528,180.51
TOTAL EXPENSES AND LOSSES				
Expenses:				
Program services:				
Child Day Services	\$ 749,886.20			\$ 749,886.20
Family Support	232,482.24			232,482.24
Child Care Resource and Referral	370,856.58			370,856.58
Independent Support	756,380.01			756,380.01
Supporting services:				
Management and general	279,905.29			279,905.29
Fund raising	29,277.84			29,277.84
TOTAL EXPENSES	\$ 2,418,788.16			\$ 2,418,788.16
CHANGES IN NET ASSETS	\$ 126,711.40	\$ (17,319.05)		\$ 109,392.35
NET ASSETS AT BEGINNING OF YEAR	1,795,881.06	37,941.01	\$ 500.00	1,834,322.07
NET ASSETS AT END OF YEAR	\$ 1,922,592.46	\$ 20,621.96	\$ 500.00	\$ 1,943,714.42

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

STATEMENT OF FUNCTIONAL EXPENSES
COMMUNITY DEVELOPMENT CENTER

Year ended June 30, 2009

	Program Services		
	Child Day Services	Family Support Services	Child Care Resource & Referral
Salaries	\$ 461,386.02	\$ 23,765.59	\$ 229,555.14
Fringe benefits	100,891.57	2,569.53	45,370.44
TOTAL SALARIES AND FRINGE BENEFITS	\$ 562,277.59	\$ 26,335.12	\$ 274,925.58
Travel	2,748.31	581.69	51,048.61
Communications	11,545.46	1,271.72	4,729.02
Utilities	12,692.05		
Postage and shipping	779.51	670.87	29.89
Professional services	2,839.41	25.75	2,501.99
Supplies	10,403.02	592.72	13,421.71
Food	3,077.08		273.22
Maintenance	28,977.81	1,001.03	1,585.99
Training and seminars	1,646.59	0.82	3,186.78
Rent			13,985.43
Insurance	6,413.29	917.88	
In-kind expenses - Note K	76,580.04	560.04	
Dues and subscriptions	4,290.36		1.60
Special events			
Grants and subsidies		198,340.27	
Bad debt	732.26	1,034.08	
Miscellaneous	848.64	14.81	199.27
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	\$ 725,851.42	\$ 231,346.80	\$ 365,889.09
Depreciation	24,034.78	1,135.44	4,967.49
TOTAL EXPENSES	\$ 749,886.20	\$ 232,482.24	\$ 370,856.58

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

Program Services		Supporting Services		
Independent Support		Management and General	Special Events	Total Expenses
\$	536,756.30	\$ 196,043.48		\$ 1,447,506.53
	114,223.06	35,657.74		298,712.34
\$	650,979.36	\$ 231,701.22		\$ 1,746,218.87
	16,312.75	1,768.48		72,459.84
	9,430.40	4,836.52		31,813.12
	4,159.72	1,915.53		18,767.30
	1,597.37	1,263.77		4,341.41
	1,519.39	15,181.29		22,067.83
	12,352.05	4,098.68		40,868.18
	1,037.19	460.25		4,847.74
	11,614.49	6,666.02		49,845.34
	215.90	1,482.36		6,532.45
	25,080.00			39,065.43
	2,879.51	1,054.44		11,265.12
				77,140.08
	250.00	1,874.68		6,416.64
			\$ 29,277.84	29,277.84
				198,340.27
	4305.98			6,072.32
	1,330.14	1,172.23		3,565.09
\$	743,064.25	\$ 273,475.47	\$ 29,277.84	\$ 2,368,904.87
	13,315.76	6,429.82		49,883.29
\$	756,380.01	\$ 279,905.29	\$ 29,277.84	\$ 2,418,788.16

STATEMENT OF CASH FLOWS
COMMUNITY DEVELOPMENT CENTER

Year ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets \$ 109,392.35

Adjustments to reconcile increase in net assets
to cash provided by operating activities:

Depreciation and amortization \$ 49,883.29

(Increase) decrease in operating assets:

Pledges receivable 16,311.64

Accounts receivable 148,610.65

Interest receivable (2,417.34)

Prepaid expenses 518.42

Deposits 100.00

Increase (decrease) in operating liabilities:

Accounts payable (28,954.97)

Accrued leave and wages (848.79)

Accrued payroll taxes 2,759.66

Unearned grants 6,048.96

Other current liabilities 336.82

NET ADJUSTMENTS 192,348.34

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 301,740.69

CASH FLOWS FROM INVESTING ACTIVITIES:

Short-term investments, net \$ (39,492.18)

Payments for property and equipment (71,014.68)

NET CASH USED BY INVESTING ACTIVITIES (110,506.86)

CASH FLOWS FROM FINANCING ACTIVITIES:

Loan payments \$ (62,500.00)

NET CASH PROVIDED BY FINANCING ACTIVITIES (62,500.00)

NET INCREASE IN CASH AND CASH EQUIVALENTS \$ 128,733.83

BEGINNING CASH AND CASH EQUIVALENTS 517,349.68

ENDING CASH AND CASH EQUIVALENTS \$ 646,083.51

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

NOTES TO FINANCIAL STATEMENTS
COMMUNITY DEVELOPMENT CENTER

June 30, 2009

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. For the year ended June 30, 2009, the amount charged to operations was \$1,766.34 and is reflected as a reduction of operating revenue.

NOTES TO FINANCIAL STATEMENTS (cont'd)

COMMUNITY DEVELOPMENT CENTER

June 30, 2009

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 contributed services meeting the requirements for recognition in the financial statements is disclosed in Note K. 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 more than 1,000 volunteer hours per year.

(8) Subsequent Events

Subsequent events have been evaluated through October 21, 2009, 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, 2009:

	<u>Cash Equivalents</u>	Certificates of <u>Deposit</u>	<u>Total</u>
Cash for general use	<u>\$ 646,083.51</u>	<u>\$ 497,630.68</u>	<u>\$1,143,714.19</u>

NOTES TO FINANCIAL STATEMENTS (cont'd)

COMMUNITY DEVELOPMENT CENTER

June 30, 2009

NOTE D - RESTRICTIONS ON NET ASSETS

Of the temporarily restricted net assets at June 30, 2009, \$20,621.96 is United Way funding for the next year. 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	\$ 26,335.70
City and county funding	<u>3,610.00</u>
	<u>\$ 29,945.70</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:

	<u>Cost</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2009</u>
Equipment	\$ 246,847.96	\$ 14,019.09	\$ 48,790.51	\$ 212,076.54
Vehicles	189,350.68	29,471.46	19,255.00	199,567.14
Land	42,830.48	-0-	-0-	42,830.48
Building, building improvements	<u>582,279.65</u>	<u>26,624.19</u>	<u>-0-</u>	<u>608,903.84</u>
	<u>\$1,061,308.77</u>	<u>\$ 70,114.74</u>	<u>\$ 68,045.51</u>	<u>\$1,063,378.00</u>

	<u>Accumulated Depreciation</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2009</u>
Equipment	\$ 185,474.33	\$ 19,528.61	\$ 48,790.51	\$ 156,212.43
Vehicles	118,210.34	12,795.07	19,255.00	111,750.41
Building, building improvements	<u>96,964.65</u>	<u>17,259.61</u>	<u>-0-</u>	<u>114,224.26</u>
	<u>\$ 400,649.32</u>	<u>\$ 49,583.29</u>	<u>\$ 68,045.51</u>	<u>\$ 382,187.10</u>

Computer software (net of amortization) in the amount of \$599.54 is also included in the Center's property and equipment.

NOTES TO FINANCIAL STATEMENTS (cont'd)

COMMUNITY DEVELOPMENT CENTER

June 30, 2009

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. Amounts paid for the facilities totaled \$8,220.00.

The Independent Support program leases facilities in Columbia. The agreement began December 1, 2007 and ends November 30, 2009. Amounts paid for the Columbia facilities totaled \$25,080.00. Future lease payments required under the lease for the Columbia facilities are as follows:

<u>Year Ended</u>	<u>Amount</u>
<u>June 30,</u>	
2010	8,360.00

NOTE I - ACCRUED ANNUAL LEAVE

This liability, in the amount of \$40,708.19, represents annual vacation earned by employees as of June 30, 2009, but not yet taken.

NOTE J - ISC LOAN PAYABLE

This liability, in the amount of \$12,500.00, represents the remaining balance of an advance from the State of Tennessee Department of Finance and Administration. This balance will be repaid by a reduction of the monthly payments received by the Center in the amount of \$6,250 per month for July and August of 2009.

NOTE K - IN-KIND REVENUE AND EXPENSES

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

Use of facilities, including utilities and insurance	\$77,140.08
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In-kind revenue and expenses reflected in the financial statements are not actual monies received or expended.

NOTES TO FINANCIAL STATEMENTS (cont'd)

COMMUNITY DEVELOPMENT CENTER

June 30, 2009

NOTE L - COMMITMENTS AND CONTINGENCIES

The Center receives a major portion of its funding from the Departments of Education 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.

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 (30.77 hours or more per week) employees. The Center also provides retirement benefits for those employees who elect not to take health insurance coverage, and these contributions are allowed to be used for the two percent employer's match. The employer retirement benefit contributions are fixed by the Board of Directors. For the year ended June 30, 2009, the Center's contributions (two percent match and in-lieu-of health insurance) totaled \$111,437.78. 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, 2009, the Center expended \$49,029.26 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.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Community Development Center
Shelbyville, Tennessee

Our audit was made for the purpose of expressing an opinion on the financial statements taken as a whole. The accompanying information, on pages 16-18, is presented for purposes of additional analysis and is not a required part of the financial statements of Community Development Center. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Winnett Associates

October 21, 2009

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

COMMUNITY DEVELOPMENT CENTER

Year ended June 30, 2009

CFDA Number	Program Name	Grant Number	Grantor Agency	Balance July 1, 2008	Cash Receipts
<u>State Financial Assistance</u>					
N/A	Independent Support Coordination	05-116M	Tennessee Department Of Finance and Admini- stration Division of Intellectual Disabilities	\$ (155,833.25)	\$ 155,833.25
N/A	Family Support	Z-05-022062-03	Tennessee Department of Finance and Admini- stration Division of Intellectual Disabilities	(39,714.21)	39,714.21
N/A	Community Enhancement Grants	SB2334-HB2353	Tennessee Department of State	(16,000.00)	16,000.00
N/A	Family Support	Z-05-022062-05	Tennessee Department of Finance and Admini- stration Division of Intellectual Disabilities	-0-	209,897.50
N/A	Early Intervention	Z-09-214807-00	Tennessee Department of Education	-0-	552,000.01
N/A	Independent Support Coordination	05-116M	Tennessee Department Of Finance and Admini- stration Division of Intellectual Disabilities	-0-	833,177.75
Total State Awards				<u>\$ (211,547.46)</u>	<u>\$ 1,806,622.72</u>

See independent auditors' report on supplementary information.

Other Additions	Amount Earned	Paid To Grantor	Other Deductions	Balance June 30, 2009
				\$ -0-
				-0-
				-0-
	\$ 228,385.00			(18,487.50)
	552,000.01			-0-
	908,830.75			(75,653.00)
	<u>\$ 1,689,215.76</u>			<u>\$ (94,140.50)</u>

DIRECTORY OF OFFICIALS
COMMUNITY DEVELOPMENT CENTER

June 30, 2009

DIRECTORS

Garrett Gordon	- Chairman	Shirel Pitz
Barry Childers	- Vice Chairman	Kay Rose
Donna Stone	- Financial Officer	Chesley Enloe
Bonnie Scheuchenzuber	- Secretary	Deborah Quarles
Joe Hunt	- Ex-Officio	Jim Sanders
Jane Townes	- Ex-Officio	Marilyn Massengale
Bobby Fox		
Beth Salisbury		

See independent auditors' report on supplementary information.

**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 the financial statements of Community Development Center (a not-for-profit corporation) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 21, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community Development Center's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*. Certain matters noted from our tests which were brought to management's attention are described in the accompanying schedule of findings and questioned costs.

Community Development Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Community Development Center's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board, management and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Winnett Associates

October 21, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COMMUNITY DEVELOPMENT CENTER

June 30, 2009

Finding 2009-1: The Center is currently taking a physical inventory annually. However, the results of this physical inventory have not been fully reflected in the fixed asset records of the Center.

Recommendation: We recommend that this inventory be used to update the fixed asset records of the Center. We also recommend that the Center maintain documentation of the funding source of those fixed assets funded wholly or in part with grant funding.

Management Response: The Center inventory will be used to update the fixed asset records of the Center. The Center will maintain documentation of the funding source of those fixed assets funded wholly or in part with grant funding.

Finding 2009-2: Nonprofit guidance describes the ways that joint expenses are to be allocated among programs. While state guidelines allow items of equipment costing less than \$5,000 to be treated as expenses rather than capital items for the purposes of earning grant monies, such guidelines do not allow other capital expenditures to be treated as expenses. During the year, the Center purchased a capital item costing more than \$5,000 and allocated the cost as a joint expense rather than treating it as a capital item.

Recommendation: We recommend that the Center account for capital expenditures in accordance with relevant guidance.

Management Response: The Center will account for capital expenditures in accordance with relevant guidance.

Finding 2009-3: We noted that the Center obtained approval for a grant budget amendment by e-mail. The grant agreement states that all budget amendments should be made by letter.

Recommendation: We recommend that all budget amendments be made in accordance with the grant agreement.

Management Response: Budget amendments will be made in accordance with the granting source. In determining the mode of communication regarding correspondence regarding budget amendments, the Center will adhere to the mode of the funder.

Finding 2009-4: The Center received \$29,160.00 in grant funding for the purchase of van. We noted that while the Center purchased a van for \$18,094.50, the remaining funds were not handled in accordance with the grant agreement.

Recommendation: We recommend that all grant funds be handled in accordance with the grant guidelines.

Management Response: The Center ensures all grant funds will be handled in accordance with the grant guidelines.