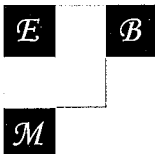


**RUTHERFORD COUNTY ADULT
ACTIVITY CENTER, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2008 AND 2007**

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Edmondson, Betzler & Montgomery, PLLC
(Certified Public Accountants)

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 statement of financial position of the Rutherford County Adult Activity Center, Inc. as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year 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. The financial statements as of June 30, 2007 were audited by other auditors, whose report dated March 26, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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, 2008, 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.

Edmondson, Betzler & Montgomery, PLLC

October 28, 2008

RUTHERFORD COUNTY ADULT ACTIVITY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current assets:		
Cash	\$ 39,051	\$ 226,315
Accounts receivable	881,651	99,823
Deposits	9,403	8,578
Prepaid insurance	15,172	36,405
Total current assets	<u>945,277</u>	<u>371,121</u>
Capital assets less accumulated depreciation	<u>562,343</u>	<u>634,514</u>
Total assets	<u><u>\$ 1,507,620</u></u>	<u><u>\$ 1,005,635</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 87,601	\$ 58,284
Accrued leave payable	132,335	113,573
Other accrued expenses	40,793	33,521
Advance - State of TN	121,620	-
Current portion of note payable	2,072	1,908
Line of credit	199	47,661
Client trust accounts	51,190	59,696
Total current liabilities	<u>435,810</u>	<u>314,643</u>
Long-term liabilities:		
Note payable, less current portion	1,212	3,451
Advance - State of TN	462,111	-
Total long-term liabilities	<u>463,323</u>	<u>3,451</u>
Total liabilities	<u>899,133</u>	<u>318,094</u>
Net Assets:		
Unrestricted Net Assets	<u>608,487</u>	<u>687,541</u>
Total Liabilities and Net Assets	<u><u>\$ 1,507,620</u></u>	<u><u>\$ 1,005,635</u></u>

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

RUTHERFORD COUNTY ADULT ACTIVITY CENTER, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Unrestricted support and revenues		
Tennessee Division of Mental Retardation Services	\$ 4,860,049	\$ 4,579,315
Tennessee Department of Human Services-		
Division of Rehabilitation Services	3,800	3,000
Tennessee Department of Transportation	-	53,594
Community Enhancement Grant	25,000	-
Rutherford County	27,000	24,570
United Way	76,998	71,709
Workshop contracts	115,375	107,943
Client rent	41,594	44,408
Contributions	6,855	8,327
Gain (loss) on disposal of fixed assets	1,306	(3,101)
Miscellaneous	776	2,674
Total unrestricted support and revenues	<u>5,158,753</u>	<u>4,892,439</u>
Expenses		
Program services:		
Day services	1,241,831	1,132,135
Residential services	<u>3,433,745</u>	<u>3,322,188</u>
Total program services expense	4,675,576	4,454,323
Supporting services:		
Management and general	<u>562,231</u>	<u>520,115</u>
Total expenses	<u>5,237,807</u>	<u>4,974,438</u>
Change in unrestricted net assets	(79,054)	(81,999)
Net assets, beginning of year	<u>687,541</u>	<u>769,540</u>
Net assets, end of year	<u><u>\$ 608,487</u></u>	<u><u>\$ 687,541</u></u>

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

RUTHERFORD COUNTY ADULT ACTIVITY CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2008 AND 2007

	Program Services		Total	Supporting Services	Totals	
	Residential Services	Day Services	Program Services	Management and General	2008	2007
Salaries	\$ 2,631,285	\$ 680,673	\$ 3,311,958	\$ 288,548	\$ 3,600,506	\$ 3,484,181
Fringe benefits	569,142	161,239	730,381	63,630	794,011	630,279
Total salaries and fringe benefits	<u>3,200,427</u>	<u>841,912</u>	<u>4,042,339</u>	<u>352,178</u>	<u>4,394,517</u>	<u>4,114,460</u>
Travel	8,754	4,880	13,634	1,995	15,629	17,558
Communications	30,321	17,373	47,694	4,877	52,571	42,626
Utilities	13,002	32,154	45,156	5,256	50,412	50,843
Professional fees	16,285	-	16,285	18,230	34,515	9,725
Contracted services	507	939	1,446	53,356	54,802	70,137
Client wages & workshop expenses	-	84,208	84,208	-	84,208	86,946
Medical supplies	724	6,068	6,792	257	7,049	6,131
Office supplies	1,432	8,563	9,995	16,235	26,230	41,197
Food	58,658	4,273	62,931	4,174	67,105	89,275
Repairs & maintenance - building	13,445	524	13,969	400	14,369	22,788
Vehicle expenses	-	80,920	80,920	1,964	82,884	74,338
Fuel	-	116,819	116,819	18,412	135,231	102,161
Rent	17,517	8,448	25,965	1,937	27,902	40,896
Insurance	19,011	12,923	31,934	14,395	46,329	52,511
Postage	-	-	-	1,189	1,189	1,250
Seminars	-	-	-	3,132	3,132	4,248
Dues & subscriptions	-	-	-	8,278	8,278	7,554
Taxes & licenses	-	17	17	3,011	3,028	3,613
Bank charges	-	-	-	2,757	2,757	1,440
Client supplements	6,818	-	6,818	-	6,818	-
Client strap	9,166	-	9,166	-	9,166	5,548
Establishment	1,660	-	1,660	-	1,660	6,001
Interest expense	-	-	-	2,242	2,242	6,977
Advertising	353	-	353	3,193	3,546	6,406
Background expense	-	-	-	13,825	13,825	13,348
Depreciation	35,858	21,071	56,929	21,271	78,200	85,570
Miscellaneous	(193)	739	546	9,667	10,213	10,891
Total expenses	<u>\$ 3,433,745</u>	<u>\$ 1,241,831</u>	<u>\$ 4,675,576</u>	<u>\$ 562,231</u>	<u>\$ 5,237,807</u>	<u>\$ 4,974,438</u>

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

RUTHERFORD COUNTY ADULT ACTIVITY CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Change in net assets	\$ (79,054)	\$ (81,999)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	78,200	85,570
Grant funds provided for equipment acquisition	-	(53,594)
(Gain) loss on disposal of equipment	(1,306)	3,101
Changes in current assets and liabilities:		
Increase in accounts receivable	(781,828)	(52,390)
(Increase) decrease in deposits	(825)	794
Decrease in prepaid insurance	21,233	4,381
Increase in accounts payable	29,317	40,098
Decrease in accrued salaries	-	(66,288)
Increase in accrued leave payable	18,762	22,383
Increase (decrease) in other accrued expenses	7,272	(13,420)
Increase in advance - State of TN	583,731	-
Increase (decrease) in payables to clients	<u>(8,506)</u>	<u>13,773</u>
Net cash used in operating activities	<u>(133,004)</u>	<u>(97,591)</u>
Cash flows from investing activities		
Proceeds from sale of fixed assets	1,400	550
Fixed assets purchased	<u>(6,123)</u>	<u>(18,177)</u>
Net cash used in investing activities	<u>(4,723)</u>	<u>(17,627)</u>
Cash flows from financing activities		
Net (payments) borrowings on line of credit	(47,462)	47,661
Proceeds from long-term debt	-	6,050
Payments on long-term debt	<u>(2,075)</u>	<u>(691)</u>
Net cash provided by (used in) financing activities	<u>(49,537)</u>	<u>53,020</u>
Net decrease in cash	(187,264)	(62,198)
Cash at beginning of year	<u>226,315</u>	<u>288,513</u>
Cash at end of year	<u><u>\$ 39,051</u></u>	<u><u>\$ 226,315</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 2,242</u>	<u>\$ 6,977</u>
Grant funds provided in kind for equipment acquisition	<u><u>\$ -</u></u>	<u><u>\$ 53,594</u></u>

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

RUTHERFORD COUNTY ADULT ACTIVITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 1 - 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, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2 - 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 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at each June 30:

	2008	2007
State of Tennessee	\$ 860,804	\$ 73,839
Workshop Activities	18,457	11,093
Establishments and other	2,390	14,891
Total	<u>\$ 881,651</u>	<u>\$ 99,823</u>

NOTE 4 - 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:

	<u>Life in years</u>	
Buildings	25	\$ 285,196
Building improvements	25	15,017
Leasehold improvements	15 - 25	550,133
Furniture and fixtures	5 - 7	132,867
Transportation equipment	5	442,595
		<u>\$ 1,425,808</u>
Less accumulated depreciation		883,260
		542,548
Land		19,795
		<u>\$ 562,343</u>

RUTHERFORD COUNTY ADULT ACTIVITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008 AND 2007

NOTE 5 - ADVANCE – STATE OF TENNESSEE

In July, 2007, the State of Tennessee advanced the Center \$583,731 for advanced funding of fiscal year 2007 – 2008 operations. The advance is to be repaid, interest free, over the next 48 months in equal installments of \$12,162. The repayment of the advance will be withheld by the State from the monthly remittances for services to the State.

NOTE 6 - LINE OF CREDIT

The Center has a \$200,000 line of credit with FirstBank. Amounts drawn on the line of credit at June 30 of 2008 and 2007 were \$199 and \$47,661, respectively. Interest is payable monthly at prime. The line matures in August 2009. Subsequent to the end of the year, the line has been renewed through 2010.

NOTE 7 - 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 are as follows:

<u>June 30,</u>	
2009	\$ 2,072
2010	<u>1,212</u>
	<u>\$ 3,284</u>

NOTE 8 - 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 9 - 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.