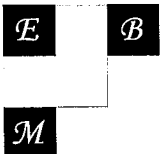


**RUTHERFORD COUNTY ADULT
ACTIVITY CENTER, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2009 AND 2008**

RUTHERFORD COUNTY ADULT ACTIVITY CENTER, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2009 AND 2008

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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

We have audited the accompanying statements of financial position of the Rutherford County Adult Activity Center, Inc. as of June 30, 2009 and 2008, 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 audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America and the standards applicable to the financial statements contained in Government Auditing Standards issued by the Comptroller General of 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 audits provide 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years 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 September 29, 2009, on our consideration of Rutherford County Adult Activity Center's internal control over financial reporting and 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.

September 29, 2009

RUTHERFORD COUNTY ADULT ACTIVITY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Current assets:		
Cash	\$ 615,757	\$ 39,051
Accounts receivable	435,569	881,651
Deposits	9,953	9,403
Prepaid insurance	26,063	15,172
Total current assets	<u>1,087,342</u>	<u>945,277</u>
Capital assets less accumulated depreciation	<u>495,002</u>	<u>562,343</u>
Total assets	<u><u>\$ 1,582,344</u></u>	<u><u>\$ 1,507,620</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 24,583	\$ 69,341
Accrued leave payable	136,547	132,335
Other accrued expenses	141,277	59,053
Advance - State of TN	145,944	121,620
Current portion of note payable	-	2,072
Line of credit	-	199
Client trust accounts	65,975	51,190
Total current liabilities	<u>514,326</u>	<u>435,810</u>
Long-term liabilities:		
Note payable, less current portion	-	1,212
Advance - State of TN	291,843	462,111
Total long-term liabilities	<u>291,843</u>	<u>463,323</u>
Total liabilities	<u>806,169</u>	<u>899,133</u>
Net Assets:		
Unrestricted Net Assets	<u>776,175</u>	<u>608,487</u>
Total Liabilities and Net Assets	<u><u>\$ 1,582,344</u></u>	<u><u>\$ 1,507,620</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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Unrestricted support and revenues		
Tennessee Division of Mental Retardation Services	\$ 4,585,118	\$ 4,860,049
Tennessee Department of Human Services-		
Division of Rehabilitation Services	2,000	3,800
Community Enhancement Grant	-	25,000
Rutherford County	32,000	27,000
United Way	96,919	76,998
Workshop contracts	116,633	115,375
Client rent	46,119	41,594
Contributions	10,564	6,855
Gain (loss) on disposal of fixed assets	-	1,306
Miscellaneous	652	776
Total unrestricted support and revenues	<u>4,890,005</u>	<u>5,158,753</u>
Expenses		
Program services:		
Day services	1,226,540	1,241,831
Residential services	<u>3,008,007</u>	<u>3,433,745</u>
Total program services expense	4,234,547	4,675,576
Supporting services:		
Management and general	<u>487,770</u>	<u>562,231</u>
Total expenses	<u>4,722,317</u>	<u>5,237,807</u>
Change in unrestricted net assets	167,688	(79,054)
Net assets, beginning of year	<u>608,487</u>	<u>687,541</u>
Net assets, end of year	<u>\$ 776,175</u>	<u>\$ 608,487</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, 2009 AND 2008

	Program Services		Total	Supporting Services	Totals	
	Residential Services	Day Services	Program Services	Management and General	2009	2008
Salaries	\$ 2,346,171	\$ 639,245	\$ 2,985,416	\$ 282,068	\$ 3,267,484	\$ 3,600,506
Fringe benefits	471,454	204,629	676,083	29,560	705,643	794,011
Total salaries and fringe benefits	2,817,625	843,874	3,661,499	311,628	3,973,127	4,394,517
Travel	5,364	3,510	8,874	870	9,744	15,629
Communications	26,471	14,092	40,563	9,541	50,104	52,571
Utilities	11,219	31,002	42,221	5,732	47,953	50,412
Professional fees	29,924	-	29,924	18,660	48,584	34,515
Contracted services	1,389	809	2,198	53,281	55,479	54,802
Client wages & workshop expenses	-	90,113	90,113	-	90,113	84,208
Medical supplies	973	6,768	7,741	172	7,913	7,049
Office supplies	570	8,161	8,731	18,959	27,690	26,230
Food	8,705	2,723	11,428	9,185	20,613	67,105
Repairs & maintenance - building	11,338	991	12,329	1,150	13,479	14,369
Vehicle expenses	-	91,635	91,635	1,849	93,484	82,884
Fuel	-	94,660	94,660	-	94,660	135,231
Rent	10,231	7,872	18,103	3,924	22,027	27,902
Insurance	13,626	9,067	22,693	8,711	31,404	46,329
Postage	-	-	-	1,547	1,547	1,189
Seminars	8,875	-	8,875	2,903	11,778	3,132
Dues & subscriptions	-	-	-	7,119	7,119	8,278
Taxes & licenses	-	-	-	2,137	2,137	3,028
Bank charges	-	-	-	683	683	2,757
Client supplements	18,665	-	18,665	-	18,665	6,818
Client strap	5,141	-	5,141	-	5,141	9,166
Establishment	3,133	-	3,133	-	3,133	1,660
Interest expense	-	-	-	1,003	1,003	2,242
Advertising	-	-	-	239	239	3,546
Background expense	-	-	-	5,313	5,313	13,825
Depreciation	33,892	21,229	55,121	21,152	76,273	78,200
Miscellaneous	866	34	900	2,012	2,912	10,213
Total expenses	\$ 3,008,007	\$ 1,226,540	\$ 4,234,547	\$ 487,770	\$ 4,722,317	\$ 5,237,807

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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ 167,688	\$ (79,054)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	76,273	78,200
(Gain) loss on disposal of equipment	-	(1,306)
Changes in current assets and liabilities:		
(Increase) decrease in accounts receivable	446,082	(781,828)
Increase in deposits	(550)	(825)
(Increase) decrease in prepaid insurance	(10,891)	21,233
Increase (decrease) in accounts payable	(44,758)	29,317
Increase in accrued leave payable	4,212	18,762
Increase in other accrued expenses	82,224	7,272
Increase (decrease) in advance - State of TN	(145,944)	583,731
Increase (decrease) in payables to clients	14,785	(8,506)
	<u>589,121</u>	<u>(133,004)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Proceeds from sale of fixed assets	-	1,400
Fixed assets purchased	(8,932)	(6,123)
Net cash used in investing activities	<u>(8,932)</u>	<u>(4,723)</u>
Cash flows from financing activities		
Net (payments) borrowings on line of credit	(199)	(47,462)
Payments on long-term debt	(3,284)	(2,075)
Net cash used in financing activities	<u>(3,483)</u>	<u>(49,537)</u>
Net increase (decrease) in cash	576,706	(187,264)
Cash at beginning of year	<u>39,051</u>	<u>226,315</u>
Cash at end of year	<u>\$ 615,757</u>	<u>\$ 39,051</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 1,003</u>	<u>\$ 2,242</u>

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

RUTHERFORD COUNTY ADULT ACTIVITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

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 107 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 Division of Intellectual Disabilities 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)
YEARS ENDED JUNE 30, 2009 AND 2008

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:

	2009	2008
State of Tennessee	\$ 422,933	\$ 860,804
Workshop Activities	10,762	18,457
Establishments and other	1,874	2,390
Total	<u>\$ 435,569</u>	<u>\$ 881,651</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:

	Life in years	
Buildings	25	\$ 285,196
Building improvements	25	15,017
Leasehold improvements	15 - 25	550,133
Furniture and fixtures	5 - 7	72,010
Transportation equipment	5	413,117
		<u>\$ 1,335,473</u>
Less accumulated depreciation		860,266
		475,207
Land		19,795
		<u>\$ 495,002</u>

RUTHERFORD COUNTY ADULT ACTIVITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2009 AND 2008

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 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. At June 30, 2009 the remaining balance on the advance was \$437,787.

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 2009 and 2008 were \$0 and \$199, respectively. Interest is payable monthly at prime. The line matures on May 12, 2010.

NOTE 7 - OPERATING LEASES

The Center leases 7 automobiles used in its day services. All automobiles are leased under 36 month terms with maturity dates ranging from March 2011 through September 2011. Minimum lease payments under these leases for years ending June 30, 2010, 2011, and 2012 are expected to be \$36,373, \$33,575, and \$3,819, respectively. For June 30, 2009 and 2008, lease expenses of \$31,745 and \$17,855 have been included in the statements of functional expenses as vehicle expenses.

The Center leases its office under a month to month lease with Rutherford County. For both June 30, 2009 and 2008, lease expense of \$9,600 has been included in the statements of functional expenses as rent expense.

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 a local financial institution. The deposits in this institution, at times, exceed 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.



Edmondson, Betzler & Montgomery, PLLC

(Certified Public Accountants)



INDEPENDENT AUDITORS' 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
Rutherford County Adult Activity Center, Inc.

We have audited the financial statements of Rutherford County Adult Activity Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 29, 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 Rutherford County Adult Activity Center, Inc.'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 Rutherford County Adult Activity Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 entity'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.

**INDEPENDENT AUDITORS' 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 (CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rutherford County Adult Activity Center Inc.'s financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, 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.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and the Division of Municipal Audit, and is not intended to be and should not be used by anyone other than these specified parties.

Edmondson, Bethel & Montgomery, PLLC

September 29, 2009