

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

**COMMUNITY DEVELOPMENT CENTER**

(A NOT-FOR-PROFIT CORPORATION)

June 30, 2015

**WINNETT**  
*Associates, PLLC*

Certified Public Accountants and Consultants

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## **INDEPENDENT AUDITOR'S 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, 2015, 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, 2015, 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 17 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 October 12, 2015, 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, PLLC*

Shelbyville, Tennessee  
October 12, 2015

**STATEMENT OF FINANCIAL POSITION**  
**COMMUNITY DEVELOPMENT CENTER**

June 30, 2015

<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash for general use - Note C		\$	1,050,630
Certificates of deposit - Note C			399,658
Unconditional promises to give - Note E			138,962
Accounts receivable			307,225
Interest receivable			955
Prepaid expenses			8,682
	TOTAL CURRENT ASSETS		<u>1,906,112</u>
PROPERTY AND EQUIPMENT - Note F			552,443
	TOTAL ASSETS	\$	<u><u>2,458,555</u></u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$	45,759
Payroll taxes			138
Accrued leave - Note H			32,598
	TOTAL LIABILITIES		<u>78,495</u>
<u>NET ASSETS</u>			
Unrestricted	\$	2,254,237	
Temporarily restricted - Note D		125,823	
Permanently restricted		-	2,380,060
	TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>2,458,555</u></u>

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

**STATEMENT OF ACTIVITIES**  
**COMMUNITY DEVELOPMENT CENTER**

Year ended June 30, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT, REVENUE, AND GAINS:				
Grants	\$ 1,637,746	\$ -	\$ -	\$ 1,637,746
City and County	41,390	97,500		138,890
In-kind - Note I	80,589			80,589
Organizational contributions	56,686	32,562		89,248
Individual contributions	1,606			1,606
Special events	99,528			99,528
Interest income	3,864			3,864
Miscellaneous	2,373			2,373
Net assets released from restrictions:				
Contributions - released from restrictions	92,101	(91,601)	(500)	-0-
<b>TOTAL SUPPORT, REVENUE, AND GAINS</b>	<b>2,015,883</b>	<b>38,461</b>	<b>(500)</b>	<b>2,053,844</b>
EXPENSES AND LOSSES				
Expenses:				
Program services:				
Child Day Services	193,078			193,078
Family Support	258,764			258,764
Independent Support	754,768			754,768
Home Community Based Services	388,792			388,792
Pathways To Health	77,802			77,802
Supporting services:				
Management and general	253,514			253,514
Fund raising	22,913			22,913
<b>TOTAL EXPENSES</b>	<b>1,949,631</b>			<b>1,949,631</b>
CHANGES IN NET ASSETS	66,252	38,461	(500)	104,213
NET ASSETS AT BEGINNING OF YEAR	2,187,985	87,362	500	2,275,847
NET ASSETS AT END OF YEAR	<u>\$ 2,254,237</u>	<u>\$ 125,823</u>	<u>\$ -</u>	<u>\$ 2,380,060</u>

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

**STATEMENT OF FUNCTIONAL EXPENSES**  
**COMMUNITY DEVELOPMENT CENTER**

Year ended June 30, 2015

	Program Services		
	Child Day Services	Family Support Services	Independent Support
Salaries	\$ 74,303	\$ 28,744	\$ 534,779
Fringe benefits	11,838	5,990	109,535
TOTAL SALARIES AND FRINGE BENEFITS	86,141	34,734	644,314
Travel	352	66	15,347
Communications	3,509	1,320	10,080
Utilities	5,379	59	4,173
Postage and shipping	106	454	1,184
Professional services	616	27	5,595
Supplies	1,737	615	7,435
Food	768	3	1,018
Maintenance	3,857	678	12,786
Training and seminars	-	-	199
Rent	-	-	26,420
Insurance	4,171	549	9,294
In-kind expenses - Note I	52,820	560	-
Dues and subscriptions	1,213	-	365
Advertising and education	-	-	-
Special events	-	-	-
Materials for dissemination	-	-	-
Grants and subsidies	-	218,646	-
Uncollectible pledges	938	938	-
Miscellaneous	347	15	1,056
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	161,954	258,664	739,266
Depreciation	31,124	100	15,502
TOTAL EXPENSES	\$ 193,078	\$ 258,764	\$ 754,768

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

Program Services		Supporting Services		
Home Community Based Services	Pathways to Health	Management and General	Special Events	Total Expenses
\$ 239,738	\$ 25,255	\$ 171,988	\$ -	\$ 1,074,807
48,978	5,748	32,999	-	215,088
<u>288,716</u>	<u>31,003</u>	<u>204,987</u>	<u>-</u>	<u>1,289,895</u>
12,016	6,342	863	-	34,986
8,491	1,772	4,133	-	29,305
4,618	-	2,056	-	16,285
33	-	633	-	2,410
867	24,570	16,222	-	47,897
10,224	1,460	6,116	-	27,587
289	463	633	-	3,174
20,279	-	5,279	-	42,879
510	-	460	-	1,169
-	-	-	-	26,420
11,529	-	2,709	-	28,252
27,209	-	-	-	80,589
3,562	20	1,545	-	6,705
-	695	-	-	695
-	-	-	22,913	22,913
-	11,477	-	-	11,477
-	-	-	-	218,646
-	-	-	-	1,876
<u>127</u>	<u>-</u>	<u>251</u>	<u>-</u>	<u>1,796</u>
388,470	77,802	245,887	22,913	1,894,956
322	-	7,627	-	54,675
<u>\$ 388,792</u>	<u>\$ 77,802</u>	<u>\$ 253,514</u>	<u>\$ 22,913</u>	<u>\$ 1,949,631</u>



**STATEMENT OF CASH FLOWS**  
**COMMUNITY DEVELOPMENT CENTER**

Year ended June 30, 2015

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CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$	104,213
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation and amortization	\$	54,675
(Increase) decrease in operating assets:		
Pledges receivable	(27,000)	
Accounts receivable	(43,661)	
Interest receivable	(275)	
Prepaid expenses	1,571	
Increase (decrease) in operating liabilities:		
Accounts payable	15,609	
Unearned grants	(15,884)	
Accrued leave and wages	(5,178)	
Accrued payroll taxes	(112)	
	NET ADJUSTMENTS	(20,255)
	NET CASH PROVIDED BY OPERATING ACTIVITIES	83,958

CASH FLOWS FROM INVESTING ACTIVITIES:

Release of permanently restricted funds	500	
Short-term investments, net	(61,708)	
Payments for property and equipment	(49,202)	
	NET CASH USED BY INVESTING ACTIVITIES	(110,410)
	NET DECREASE IN CASH AND CASH EQUIVALENTS	(26,452)
	BEGINNING CASH AND CASH EQUIVALENTS	1,077,082
	ENDING CASH AND CASH EQUIVALENTS	\$ 1,050,630

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

**NOTES TO FINANCIAL STATEMENTS**  
**COMMUNITY DEVELOPMENT CENTER**

**June 30, 2015**

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**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, and to mentally handicapped adults. The Center is funded principally with state grants and contributions from the Cities of Shelbyville, Fayetteville, and Pulaski, 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, 2015**

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**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 I. 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 October 12, 2015, 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, 2015:

	Cash Equivalents	Certificates of Deposit	Total
Cash for general use	<u>\$ 1,050,630</u>	<u>\$ 399,658</u>	<u>\$1,450,288</u>

**NOTES TO FINANCIAL STATEMENTS (cont'd)**

**COMMUNITY DEVELOPMENT CENTER**

**June 30, 2015**

**NOTE D - RESTRICTIONS ON NET ASSETS**

Of the temporarily restricted net assets at June 30, 2015, \$31,933 is United Way funding for the next year, and \$93,890 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	\$ 32,562
City and County funding	97,500
Other organizations	<u>8,900</u>
	<u><u>\$138,962</u></u>

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

**NOTE F - PROPERTY AND EQUIPMENT**

Major classifications of property and equipment are as follows:

	<u>Cost</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
Equipment	\$ 266,018	\$ 6,569	\$ 15,860	\$ 256,727
Vehicles	124,462	-	-	124,462
Land	42,830	-	-	42,830
Software	2,251	36,452	-	38,703
Building, building improvements	<u>690,414</u>	<u>6,181</u>	<u>-</u>	<u>696,595</u>
	<u><u>\$ 1,125,975</u></u>	<u><u>\$ 49,202</u></u>	<u><u>\$ 15,860</u></u>	<u><u>\$ 1,159,317</u></u>
	<u>Accumulated Depreciation</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
Equipment	\$ 219,721	\$ 19,602	\$ 15,860	\$ 223,463
Vehicles	117,909	6,554	-	124,463
Software	2,251	3,351	-	5,602
Building, building improvements	<u>228,178</u>	<u>25,168</u>	<u>-</u>	<u>253,346</u>
	<u><u>\$ 568,059</u></u>	<u><u>\$ 54,675</u></u>	<u><u>\$ 15,860</u></u>	<u><u>\$ 606,874</u></u>

**NOTES TO FINANCIAL STATEMENTS (cont'd)**

**COMMUNITY DEVELOPMENT CENTER**

**June 30, 2015**

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**NOTE G - 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 Independent Support program leases facilities in Columbia. The agreement began January 1, 2015 and ends December 31, 2016. Amounts paid for the Columbia facilities totaled \$26,340. Future lease payments required under the lease for the Columbia facilities are as follows:

Year Ended <u>June 30,</u>	<u>Amount</u>
2016	\$ 26,340
2017	13,170

**NOTE H - ACCRUED ANNUAL LEAVE**

This liability, in the amount of \$32,598, represents annual vacation earned by employees as of June 30, 2015, but not yet taken.

**NOTE I - IN-KIND REVENUE AND EXPENSES**

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

Use of facilities, including utilities and insurance	\$80,589
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In-kind revenue and expenses reflected in the financial statements are not actual monies received or expended.

**NOTE J - 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, 2015, this risk amount, based on bank balances, was \$143,843. However, this at risk amount is subject to significant daily fluctuations throughout the year.

**NOTE K - COMMITMENTS AND CONTINGENCIES**

The Center receives a major portion of its funding from the Departments of Education, Intellectual and Developmental Disabilities, and Finance and Administration, the Cities of Shelbyville, Pulaski, 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, 2015

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#### NOTE L - 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 has a provision of funds for certain eligible employees to designate for health insurance or the 403(b) retirement plan. The amount of the provision is determined by employment category status. The employer retirement benefit contributions are fixed by the Board of Directors. For the year ended June 30, 2015, the Center's contributions (two percent match and in-lieu-of health insurance) totaled \$82,355. Employees are fully vested for all contributions made to the plan.

#### NOTE M - 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 N - 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, 2014	\$ 111,962
	Issuances	206,174
	Settlements	<u>179,174</u>
	June 30, 2015	<u>\$ 138,962</u>

**NOTES TO FINANCIAL STATEMENTS (cont'd)**

**COMMUNITY DEVELOPMENT CENTER**

**June 30, 2015**

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**NOTE O - 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. The Center files information tax returns with the Internal Revenue Service. These returns are generally subject to examination for three years after filing. The open period includes years ending in 2012-2015.

## **SUPPLEMENTARY INFORMATION**



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**COMMUNITY DEVELOPMENT CENTER**  
Year ended June 30, 2015

Grantor Agency	CFDA Number	Contract Number	Beginning Accrued	Cash Receipts	Expenditures	Ending Accrued
<u>FEDERAL AWARDS</u>						
Department of Education (1)	84.181A	33195-01415	\$ -	\$ 88,059	\$ 106,333	\$ 18,274
Department of Education (1)	84.181A	33195-02414	30,512	30,512	-	-
	TOTAL FEDERAL AWARDS		30,512	118,571	106,333	18,274
<u>STATE FINANCIAL ASSISTANCE</u>						
TN Dept. of Intellectual and Developmental Disabilities		34401-00404	-	169,400	250,831	81,431
TN Dept. of Education		33195-01415	-	229,672	288,061	58,389
TN Dept. of Finance and Administration Division of Intellectual Disabilities		10-112M	77,399	836,712	908,012	148,699
TN Dept. of Education		33195-02414	74,794	74,794	-	-
TN Dept. of Intellectual and Developmental Disabilities		34401-00404	29,455	29,455	-	-
	TOTAL STATE FINANCIAL ASSISTANCE		181,648	1,340,033	1,446,904	288,519
	TOTAL FEDERAL AND STATE AWARDS		\$ 212,160	\$ 1,458,604	\$ 1,553,237	\$ 306,793

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

Schedule was prepared using the accrual basis of accounting.

See independent auditor's report.

## **OTHER INFORMATION**

**DIRECTORY OF OFFICIALS**  
**COMMUNITY DEVELOPMENT CENTER**

**June 30, 2015**

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**DIRECTORS**

Barry Childers	- Chairman	Mary Gregory
Anna Childress	- Vice Chairman	Chesley Enloe
Scott Cocanougher	- Treasurer	Kay Rose
Amie Newsom	- Secretary	Julie Sanders
Joe Hunt	- Ex-Officio	Helen Lowe
Jane Townes	- Ex-Officio	Gary Haile
Marilyn Massengale	- Ex-Officio	Andy Bobo
Garrett Gordon	- Ch. Emeritus	Rick Darling
Barbara Capps		Yesenia Garcia

See independent auditor's 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, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2015.

**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, PLLC*

Shelbyville, Tennessee  
October 12, 2015