

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

COMMUNITY DEVELOPMENT CENTER

(A NOT-FOR-PROFIT CORPORATION)

June 30, 2008

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, 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 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, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2008 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

September 19, 2008

STATEMENT OF FINANCIAL POSITION
COMMUNITY DEVELOPMENT CENTER

June 30, 2008

ASSETS

CURRENT ASSETS

Cash for general use - Note C	\$ 517,349.68
Certificates of deposit - Note C	458,138.50
Unconditional promises to give - Note E	44,491.00
Accounts receivable - Note B(3)	337,443.15
Prepaid expenses	11,432.39
Deposits	700.00
TOTAL CURRENT ASSETS	<u>\$ 1,369,554.72</u>

CASH RESTRICTED TO ENDOWMENT	500.00
PROPERTY AND EQUIPMENT - Note G	660,659.45
TOTAL ASSETS	<u><u>\$ 2,030,714.17</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 78,966.74
Payroll taxes	868.38
Accrued leave - Note I	41,556.98
DMRS - ISC Interim Loan Payable - Note J	75,000.00
TOTAL LIABILITIES	<u>\$ 196,392.10</u>

NET ASSETS

Unrestricted	\$ 1,795,881.06
Temporarily restricted - Note D	37,941.01
Permanently restricted	500.00
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,030,714.17</u></u>

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

STATEMENT OF ACTIVITIES
COMMUNITY DEVELOPMENT CENTER

Year ended June 30, 2008

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUE:				
Support:				
Grants	\$ 2,215,791.07			\$ 2,215,791.07
City and County	88,900.00			88,900.00
In-kind - Note K	77,140.08			77,140.08
Organizational contributions	17,173.15	37,941.01		55,114.16
Individual contributions	1,655.55			1,655.55
TOTAL SUPPORT	\$ 2,400,659.85	\$ 37,941.01		\$ 2,438,600.86
Revenue:				
Tennessee Early Intervention Services	\$ 9,514.83			\$ 9,514.83
Mother's Day Out	19,780.00			19,780.00
Special events	152,162.36			152,162.36
	\$ 181,457.19			\$ 181,457.19
Interest income	24,579.53			24,579.53
Miscellaneous	560.41			560.41
TOTAL REVENUE	\$ 206,597.13			\$ 206,597.13
NET ASSETS RELEASED FROM RESTRICTIONS:				
Contributions - released from restrictions	36,368.00	\$ (36,368.00)		-0-
TOTAL SUPPORT AND REVENUE	\$ 2,643,624.98	\$ 1,573.01		\$ 2,645,197.99
TOTAL EXPENSES AND LOSSES				
Expenses:				
Program services:				
Child Day Services	\$ 732,424.14			\$ 732,424.14
Family Support	267,718.38			267,718.38
Child Care Resource and Referral	334,635.62			334,635.62
Independent Support	746,841.74			746,841.74
SIDS	496.43			496.43
Community Foundation	444.19			444.19
Project Reel	54,972.97			54,972.97
Supporting services:				
Management and general	267,964.72			267,964.72
Fund raising	39,706.21			39,706.21
TOTAL EXPENSES	\$ 2,445,204.40			\$ 2,445,204.40
CHANGES IN NET ASSETS	\$ 198,420.58	\$ 1,573.01		\$ 199,993.59
NET ASSETS AT BEGINNING OF YEAR	1,597,460.48	36,368.00	\$ 500.00	1,634,328.48
NET ASSETS AT END OF YEAR	\$ 1,795,881.06	\$ 37,941.01	\$ 500.00	\$ 1,834,322.07

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

STATEMENT OF FUNCTIONAL EXPENSES
COMMUNITY DEVELOPMENT CENTER

Year ended June 30, 2008

	Program Services		
	Child Day Services	Family Support Services	Child Care Resource & Referral
Salaries	\$ 448,891.75	\$ 19,821.57	\$ 198,796.06
Fringe benefits	94,398.83	1,989.00	41,016.36
TOTAL SALARIES AND FRINGE BENEFITS	\$ 543,290.58	\$ 21,810.57	\$ 239,812.42
Travel	4,957.59	819.28	33,740.33
Communications	9,877.33	1,270.78	4,046.45
Utilities	12,443.45		
Postage and shipping	1,207.39	557.10	999.49
Professional services	4,576.17	1,852.50	968.88
Printing and duplicating	65.00	75.00	
Supplies	12,292.48	2,002.08	35,900.43
Food	5,236.30	48.18	62.08
Maintenance	26,735.37	1,318.86	1,009.99
Interest expense			
Training and seminars	5,670.87	96.50	993.00
Rent			11,312.76
Insurance	4,172.25	474.78	1.94
In-kind expenses - Note K	76,580.04	560.04	
Dues and subscriptions	4,193.72		878.00
Special events			
Grants and subsidies		235,158.05	
Miscellaneous	1,862.78	13.17	(0.25)
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	\$ 713,161.32	\$ 266,056.89	\$ 329,725.52
Depreciation	19,262.82	1,661.49	4,910.10
TOTAL EXPENSES	\$ 732,424.14	\$ 267,718.38	\$ 334,635.62

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

Program Services			Supporting Services			
Independent Support	SIDS	Community Foundation	Project Reel	Management and General	Special Events	Total Expenses
\$ 535,225.25			\$ 17,097.96	\$ 174,522.88		\$ 1,394,355.47
101,263.26			3,805.14	28,557.77		271,030.36
\$ 636,488.51	\$ -0-	\$ -0-	\$ 20,903.10	\$ 203,080.65		\$ 1,665,385.83
18,051.39	496.43	444.19	23,712.05	1,462.02		83,683.28
9,235.64			268.35	4,460.69		29,159.24
4,068.37				1,884.04		18,395.86
1,463.22			249.79	1,193.91		5,670.90
1,557.81				24,730.15		33,685.51
						140.00
12,062.75			8,434.68	4,889.14		75,581.56
1,376.31				771.37		7,494.24
18,268.12				8,094.46		55,426.80
806.06				268.72		1,074.78
1,210.22			1,405.00	571.27		9,946.86
23,930.00						35,242.76
2,104.60				931.34		7,684.91
						77,140.08
				1,517.41		6,589.13
					\$ 39,706.21	39,706.21
						235,158.05
3,235.78				7,250.03		12,361.51
\$ 733,858.78	\$ 496.43	\$ 444.19	\$ 54,972.97	\$ 261,105.20	\$ 39,706.21	\$ 2,399,527.51
12,982.96				6,859.52		45,676.89
\$ 746,841.74	\$ 496.43	\$ 444.19	\$ 54,972.97	\$ 267,964.72	\$ 39,706.21	\$ 2,445,204.40

STATEMENT OF CASH FLOWS
COMMUNITY DEVELOPMENT CENTER

Year ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets		\$ 199,993.59
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation and amortization	\$ 45,676.89	
(Increase) decrease in operating assets:		
Pledges receivable	(2,264.37)	
Accounts receivable	(221,208.65)	
Prepaid expenses	(1,849.21)	
Deposits	(100.00)	
Increase (decrease) in operating liabilities:		
Accounts payable	52,802.10	
Accrued leave and wages	2,723.74	
Accrued payroll taxes	(12,986.68)	
Unearned grants	(940.62)	
Other current liabilities	(5,652.47)	
	NET ADJUSTMENTS	(143,799.27)
	NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 56,194.32

CASH FLOWS FROM INVESTING ACTIVITIES:

Short-term investments, net	\$ (39,443.59)	
Proceeds from sale of assets	400.00	
Payments for property and equipment	(46,543.39)	
	NET CASH USED BY INVESTING ACTIVITIES	(85,586.98)

CASH FLOWS FROM FINANCING ACTIVITIES:

Loan payments	\$ (44,711.23)	
Loan proceeds	75,000.00	
	NET CASH PROVIDED BY FINANCING ACTIVITIES	30,288.77
	NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 896.11
	BEGINNING CASH AND CASH EQUIVALENTS	516,453.57
	ENDING CASH AND CASH EQUIVALENTS	\$ 517,349.68

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:		
Interest		\$ 1,074.78

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

NOTES TO FINANCIAL STATEMENTS
COMMUNITY DEVELOPMENT CENTER

June 30, 2008

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

As accounts receivable are amounts due primarily from government agencies, there is minimal risk of their being uncollectible; therefore no allowance for uncollectible accounts is deemed necessary.

NOTES TO FINANCIAL STATEMENTS (cont'd)

COMMUNITY DEVELOPMENT CENTER

June 30, 2008

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 1,600 volunteer hours per year.

NOTE C - CASH

The following is a summary of cash at June 30, 2008:

	<u>Cash Equivalents</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Cash for general use	<u>\$ 517,849.68</u>	<u>\$ 458,138.50</u>	<u>\$ 972,988.18</u>

NOTES TO FINANCIAL STATEMENTS (cont'd)

COMMUNITY DEVELOPMENT CENTER

June 30, 2008

NOTE C - CASH AND RESTRICTED FUNDS (CONT'D)

The Center uses a cash management service provided by one of its depositories to manage credit risk of deposits in excess of federally insured amounts. Deposit amounts exceeding \$100,000.00 are "swept" into an investment account backed by U.S. Government securities. However, the Center's deposits excluding the investment account of \$150,000 exceeded \$100,000.00 at this depository at June 30, 2008, by \$9,614.73.

NOTE D - RESTRICTIONS ON NET ASSETS

Of the temporarily restricted net assets at June 30, 2008, \$27,941.00 is United Way funding and \$10,000.00 is funding from the City of Fayetteville 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	\$ 28,191.00
City and county funding	<u>16,300.00</u>
	<u>\$ 44,491.00</u>

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

The United Way amount includes only Bedford County as this amount is promised prior to the beginning of the fiscal year in which the cash will be received and, historically, actual receipts have equaled amounts promised. An allowance for uncollectible accounts was not considered necessary as of June 30, 2008.

During the year ended June 30, 2008, the Center received a conditional promise to give from the Timken Foundation. The Timken Foundation promised to give the Center \$30,000 to be used to remodel the facility, playground, parking lot, and purchase a storage shed. This money had not been received as of June 30, 2008, and the remodeling work had not been started.

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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

COMMUNITY DEVELOPMENT CENTER

June 30, 2008

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, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2008</u>
Equipment	\$ 233,899.07	\$ 12,948.89	\$ -0-	\$ 246,847.96
Vehicles	166,827.07	33,594.50	11,070.89	189,350.68
Land	43,230.48	-0-	400.00	42,830.48
Building, building improvements	582,279.65	-0-	-0-	582,279.65
	<u>\$1,026,236.27</u>	<u>\$ 46,543.39</u>	<u>\$ 11,470.89</u>	<u>\$1,061,308.77</u>

	<u>Accumulated Depreciation</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2008</u>
Equipment	\$ 165,130.32	\$ 20,344.01	\$ -0-	\$ 185,474.33
Vehicles	120,652.67	8,628.56	11,070.89	118,210.34
Building, building improvements	80,260.33	16,704.32	-0-	96,964.65
	<u>\$ 366,043.32</u>	<u>\$ 45,676.89</u>	<u>\$ 11,070.89</u>	<u>\$ 400,649.32</u>

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 \$7,930.00.

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 \$26,020.00. Future lease payments required under the lease for the Columbia facilities are as follows:

<u>Year Ended</u>	
<u>June 30,</u>	<u>Amount</u>
2009	\$ 22,990.00
2010	10,450.00

NOTES TO FINANCIAL STATEMENTS (cont'd)

COMMUNITY DEVELOPMENT CENTER

June 30, 2008

NOTE I - ACCRUED ANNUAL LEAVE

This liability, in the amount of \$41,556.98, represents annual vacation earned by employees as of June 30, 2008, but not yet taken.

NOTE J - ISC LOAN PAYABLE

This liability, in the amount of \$75,000.00, represents an advance from the State of Tennessee Department of Finance and Administration. This advance will be repaid by a reduction of the monthly payments received by the Center in the amount of \$6,250 per month beginning in July 2008.

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.

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, 2008, the Center's contributions (two percent match and in-lieu-of health insurance) totaled \$105,831.14. Employees are fully vested for all contributions made to the plan.

NOTES TO FINANCIAL STATEMENTS (cont'd)

COMMUNITY DEVELOPMENT CENTER

June 30, 2008

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, 2008, the Center expended \$39,893.07 to obtain this coverage.

The Center also paid \$1,920 in attorney fees to a board member and \$2,082.28 in consulting fees to a former employee who now serves as a board member, during the year ended June 30, 2008.

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. The Center donated \$6,152.20 to the Foundation during the year. The Center also had a receivable from the Foundation of \$500 as of June 30, 2008.