

SENIOR CITIZENS OF HENDERSONVILLE, INC.
AUDITED FINANCIAL STATEMENTS
AS OF JUNE 30, 2006

TABLE OF CONTENTS

Independent Auditor's Report	3
Statement of Financial Position	4
Statement of Activities	5-6
Statement of Cash Flows	7
Statement of Functional Expenses	8
Schedule of Financial Assistance	9
Notes to Financial Statements	10-13
Report on Compliance and on Internal Control over Financial Reporting	14-15

McMurray & Associates

CERTIFIED PUBLIC ACCOUNTANTS

641 East Main Street
Hendersonville, TN 37075
(615) 824-2724
Fax (615) 822-3522

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Senior Citizens of Hendersonville, Inc.

We have audited the accompanying statement of financial position of Senior Citizens of Hendersonville, Inc. (a nonprofit organization) as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 the 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 Senior Citizens of Hendersonville, Inc. as of June 30, 2006, 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.

McMurray & Associates

McMurray & Associates, CPA's
Hendersonville, Tennessee
October 5, 2006

SENIOR CITIZENS OF HENDERSONVILLE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2006

ASSETS

Current Assets

Cash and equivalents	10,861
Contributions receivable	12,000
Prepaid expenses	3,526
Total Current Assets	<u>26,387</u>

Fixed Assets

Property, plant and equipment, net of depreciation	72,910
Assets held for sale	1,597
Total Fixed Assets	<u>74,507</u>

Other Assets

Inventory	1,200
Total Assets	<u>102,094</u>

LIABILITIES

Current Liabilities

Accounts Payable	1,172
Payroll Taxes Payable	2,412
Total Current Liabilities	<u>3,584</u>

Net Assets

Unrestricted Net Assets	86,510
Temporarily Restricted Net Assets	12,000
Total Net Assets	<u>98,510</u>

Total Liabilities & Net Assets	<u>102,094</u>
--------------------------------	----------------

SENIOR CITIZENS OF HENDERSONVILLE, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES			
Federal Funding	19,000	-	19,000
State of Tennessee	8,500	-	8,500
City & County Funding	19,500	-	19,500
United Way Funding	-	12,000	12,000
Contributions	14,131	-	14,131
In-Kind Rent	30,000	-	30,000
Fundraising	10,821	-	10,821
Program Income	5,557	-	5,557
Total Revenue	<u>107,509</u>	<u>12,000</u>	<u>119,509</u>
 Net Assets Released from Restrictions	 12,000	 (12,000)	 -
EXPENSES			
Fundraising Expenses	372	-	372
Program Expenses	4,680	-	4,680
Total Expenses	<u>5,052</u>	<u>-</u>	<u>5,052</u>
OPERATING EXPENSES			
Advertising	143	-	143
Copier Maintenance & Supplies	-	-	-
Dues and Subscriptions	351	-	351
Insurance	6,624	-	6,624
Licenses & Permits	57	-	57
Maintenance & Repair	4,092	-	4,092
Postage & Delivery	294	-	294
Printing & Reproduction	-	-	-
Professional Development	75	-	75
Professional Fees	1,975	-	1,975
Telephone	1,760	-	1,760
Travel	159	-	159
Utilities	12,111	-	12,111
Vehicle Expense	796	-	796
Wages	45,698	-	45,698
Payroll Tax Expense	4,243	-	4,243
Supplies	3,781	-	3,781
Rent	30,000	-	30,000
Depreciation Expense	16,680	-	16,680
Total Operating Expenses	<u>128,839</u>	<u>-</u>	<u>128,839</u>
 TOTAL EXPENSES	 133,891	 -	 133,891

SENIOR CITIZENS OF HENDERSONVILLE, INC.
STATEMENT OF ACTIVITIES CONTINUED
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Loss From Operations	(14,382)		(14,382)
Other Income	10		10
Total Other Income	<u>10</u>	<u>-</u>	<u>10</u>
(Decrease)/Increase in Net Assets	(14,372)	-	(14,372)
Net Assets at June 30, 2005	<u>100,882</u>	<u>12,000</u>	<u>112,882</u>
Net Assets at June 30, 2006	<u><u>86,510</u></u>	<u><u>12,000</u></u>	<u><u>98,510</u></u>

See auditor's report and notes to financial statements

SENIOR CITIZENS OF HENDERSONVILLE, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

Cash flows from operating activities	
Decrease in Net Assets	\$ (14,372)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	16,880
(Increase) decrease in contributions receivable	2,090
(Increase) decrease in prepaid expenses	43
Increase (decrease) in accounts payable	1,114
Increase (decrease) in payroll taxes payable	(123)
Total adjustments	<u>20,004</u>
Net cash provided (used) by operating activities	<u>5,632</u>
Net increase (decrease) in cash and equivalents	<u>5,632</u>
Cash and equivalents, beginning of year	5,229
Cash and equivalents, end of year	<u><u>\$ 10,861</u></u>

SENIOR CITIZENS OF HENDERSONVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT & GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Advertising		143		143
Dues & Subscriptions		351		351
Instructors	1,860			1,860
Insurance	3,872	2,752		6,624
Legal and Professional		1,975		1,975
Licenses & Permits		57		57
Maintenance	1,287	2,805		4,092
Office Supplies	587	474		1,061
Payroll & Related Expenses	26,243	25,852		52,095
Development		75		75
Supplies	3,388	663		4,051
Rent	30,000			30,000
Telephone	1,247	513		1,760
Travel	159			159
Utilities	9,112	2,627	372	12,111
Vehicle Expense	796			796
Depreciation	12,046	4,634		16,680
Total Expenses	<u>90,597</u>	<u>42,921</u>	<u>372</u>	<u>133,890</u>

See auditor's report and notes to financial statements

SENIOR CITIZENS OF HENDERSONVILLE, INC.
 SCHEDULE OF FINANCIAL ASSISTANCE
 FOR THE YEAR ENDING JUNE 30, 2006

	Balance	Cash	Disbursements	Receivable	Balance
	June 30, 2005	Received	for year ending June 30, 2006	Amount	June 30, 2006
United States Department of Health & Human Services CFDA# 93.044	2,090	16,500	18,590	-	-
United States Department of Health & Human Services CFDA# 93.043	-	2,500	2,500	-	-
Tennessee Commission on Aging & Disability GR-0214294-00	-	8,500	8,500	-	-

See auditor's report and notes to financial statements

SENIOR CITIZENS OF HENDERSONVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Senior Citizens of Hendersonville, Inc. (the "Center"), was incorporated under the laws of the State of Tennessee on July 31, 1986, for the purpose of operating a senior center in Hendersonville, Tennessee to service Hendersonville and Sumner County citizens sixty years of age or older. The Center provides on-site programs in addition to an outreach program to homebound seniors. The Center utilizes a fiscal year beginning July 1 and ending on June 30.

Method of Accounting

The Center utilizes the accrual method of accounting.

Property and Equipment

Property and equipment is stated at cost if purchased by the Center. Donated property and equipment is stated at an estimable fair market value on the date received. Depreciation is calculated using the straight line method over the estimated useful lives of the assets. The Center has determined the estimated useful lives of its property and equipment is five to fifteen years.

Income Taxes

Senior Citizens of Hendersonville, Inc., is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is not subject to income taxes.

Cash Equivalents

The Center considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles require the use of certain estimates by management. Actual results could differ from these estimates.

SENIOR CITIZENS OF HENDERSONVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Financial Statement Presentation

The Center has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the Center 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. In addition, the Center is required to present a statement of cash flows. As permitted by the statement, the Center does not use fund accounting.

The Center has also adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

NOTE 2 – GRANT INCOME

The Center is the recipient of a grant administered by Greater Nashville Regional Council on behalf of the United States Department of Health and Human Services and the Tennessee Commission on Aging in the amount of \$27,500. The grant is comprised of a Title III-B Award of \$16,500, a Title III-D Award of \$2,500, and the Tennessee Commission on Aging Award of \$8,500. The grant is unrestricted as it may be used for normal operating expenses of the Center.

NOTE 3 – CONTRIBUTIONS

Senior Citizens of Hendersonville, Inc. received \$14,131 in contributions from corporations and individuals during the fiscal year ending June 30, 2006. All of these contributions were unrestricted by the donors.

SENIOR CITIZENS OF HENDERSONVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The Center also received contributions of \$11,000 and \$8,500 from Sumner County, Tennessee and the City of Hendersonville, Tennessee. Both of these contributions were unrestricted by the donors. In addition, prior to June 30, 2006, United Way notified the Center that a contribution of \$12,000 would be made for the fiscal year ending June 30, 2007. Consequently, a contribution receivable for this amount has been recorded. As these amounts are restricted for use to a future period, these amounts will be shown as temporarily restricted net assets in the financial statements for the fiscal year ending June 30, 2006.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2006:

Furniture and Fixtures	\$ 32,501
Equipment	9,828
Leasehold Improvements	123,952
Vehicles	<u>31,122</u>
	197,403
Accumulated Depreciation	<u>(124,493)</u>
Net Fixed Assets	\$ 72,910

Depreciation expense for the year ending June 30, 2006 totaled \$16,880.

In addition, the Center has recorded \$1,597 of fixed assets which are being held for sale and are not being used for the operation of the Center. Therefore, depreciation expense has not been recorded for these assets.

NOTE 5 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions consist of the following:

Net assets released from time restrictions:	
United Way	\$ 12,000

SENIOR CITIZENS OF HENDERSONVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5 – CASH

The Center's cash balance at June 30, 2006 consists of \$10,761 cash in bank, and \$100 petty cash. Donor imposed restrictions on cash balances are described in Notes 2 and 3 above.

NOTE 6 – DONATED SERVICES

The Center used the services of many volunteers for fundraising and clerical tasks during the fiscal year ending June 30, 2006. SFAS No. 116 requires donated services to be recorded at fair market value if the services either: (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated. Services that do not meet either of the preceding criteria should not be recognized. The Center received several hundred hours of volunteer services during the fiscal year which do not require recording.

NOTE 7 – GIFTS IN KIND

The Center was the recipient of rent in kind from the City of Hendersonville during the fiscal year ending June 30, 2006. The City values the cost of the contribution for the use of the building at 133 Campus Drive to be \$30,000. Accordingly, in-kind revenue and rent expense of \$30,000 was recorded by the Center.

Other gifts-in-kind during the fiscal year were immaterial.

NOTE 8 – INVENTORY

During a prior year, one donor donated craft projects with a fair market value of approximately \$1,200 to the Center to be used in the various programs. Inventory of \$1,200 was recorded in relation to this donation.