

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

**COMMUNITY DEVELOPMENT CENTER**

(A NOT-FOR-PROFIT CORPORATION)

June 30, 2007

**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 and for the year ended June 30, 2007, 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, 2007, 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 November 15, 2007 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 should be considered in assessing the results of our audit.

*Winnett Associates*

November 15, 2007

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

June 30, 2007

ASSETS

CURRENT ASSETS

Cash for general use - Note C		\$ 510,945.57
Certificates of deposit - Note C		418,694.91
Unconditional promises to give - Note E		42,226.63
Accounts receivable - Note B(3)		116,234.50
Prepaid expenses		9,583.18
Deposits		600.00
	<b>TOTAL CURRENT ASSETS</b>	<b>\$ 1,098,284.79</b>

CASH RESTRICTED TO ENDOWMENT		500.00
CASH RESTRICTED TO LOAN RESERVE ACCOUNT - Note G		5,508.00
PROPERTY AND EQUIPMENT - Note F		660,192.95
	<b>TOTAL ASSETS</b>	<b>\$ 1,764,485.74</b>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable		\$ 26,164.64
Unearned grants		940.62
Payroll taxes		13,855.06
Accrued leave - Note I		38,833.24
Accrued insurance payable		5,652.47
Current portion of long-term debt		3,569.01
	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 89,015.04</b>

LONG-TERM DEBT

Notes payable - Note G	\$ 44,711.23	
Less amount due within one year shown as current liability	3,569.01	41,142.22
	<b>TOTAL LIABILITIES</b>	<b>\$ 130,157.26</b>

NET ASSETS

Unrestricted	\$ 1,597,460.48	
Temporarily restricted	36,368.00	
Permanently restricted	500.00	1,634,328.48
	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,764,485.74</b>

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

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

Year ended June 30, 2007

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>SUPPORT AND REVENUE:</b>				
Support:				
Grants	\$ 1,943,748.47			\$ 1,943,748.47
City and County	35,900.00			35,900.00
In-kind - Note J	42,404.60			42,404.60
Organizational contributions	58,358.51	30,860.00		89,218.51
Individual contributions	4,800.00			4,800.00
TOTAL SUPPORT	<u>\$ 2,085,211.58</u>	<u>\$ 30,860.00</u>		<u>\$ 2,116,071.58</u>
Revenue:				
Tennessee Early Intervention Services	\$ 25,654.32			\$ 25,654.32
Mother's Day Out	19,196.50			19,196.50
Special events	161,558.76			161,558.76
	<u>\$ 206,409.58</u>			<u>\$ 206,409.58</u>
Interest income	25,487.14			25,487.14
Miscellaneous	245.00			245.00
TOTAL REVENUE	<u>\$ 232,141.72</u>			<u>\$ 232,141.72</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS:</b>				
Contributions - released from restrictions	86,675.00	\$ (86,675.00)		<u>-0-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>\$ 2,404,028.30</u>	<u>\$ (55,815.00)</u>		<u>\$ 2,348,213.30</u>
<b>TOTAL EXPENSES AND LOSSES</b>				
Expenses:				
Program services:				
Child Day Services	\$ 700,145.26			\$ 700,145.26
Family Support	258,581.50			258,581.50
Child Care Resource and Referral	288,613.31			288,613.31
Independent Support	720,215.39			720,215.39
SIDS	4,503.57			4,503.57
Community Foundation	1,555.81			1,555.81
Project Reel	47,600.23			47,600.23
Supporting services:				
Management and general	229,749.25			229,749.25
Fund raising	39,089.72			39,089.72
TOTAL EXPENSES	<u>\$ 2,290,054.04</u>			<u>\$ 2,290,054.04</u>
CHANGES IN NET ASSETS	\$ 113,974.26	\$ (55,815.00)		\$ 58,159.26
NET ASSETS AT BEGINNING OF YEAR	1,483,486.22	92,183.00	\$ 500.00	1,576,169.22
NET ASSETS AT END OF YEAR	<u>\$ 1,597,460.48</u>	<u>\$ 36,368.00</u>	<u>\$ 500.00</u>	<u>\$ 1,634,328.48</u>

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

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

Year ended June 30, 2007

	Program Services		
	Child Day Services	Family Support Services	Child Care Resource & Referral
Salaries	\$ 449,347.17	\$ 20,753.29	\$ 193,682.32
Fringe benefits	99,387.80	1,932.77	40,941.34
TOTAL SALARIES AND FRINGE BENEFITS	<u>\$ 548,734.97</u>	<u>\$ 22,686.06</u>	<u>\$ 234,623.66</u>
Travel	5,373.11	751.76	26,344.69
Communications	8,876.03	872.39	3,930.23
Utilities	10,315.93		
Postage and shipping	1,318.04	700.00	241.79
Professional services	2,442.57	4,083.62	266.00
Printing and duplicating	715.09	12.00	
Supplies	15,796.10	1,481.11	4,724.06
Food	4,662.47		
Maintenance	25,795.77	2,233.25	1,340.00
Interest expense			
Training and seminars	370.00		
Rent			10,857.06
Insurance	4,126.68	515.79	
In-kind expenses - Note J	41,904.60	500.00	
Dues and subscriptions	4,041.69		
Special events			
Grants and subsidies		223,302.28	
Miscellaneous	7,692.49		438.10
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	<u>\$ 682,165.54</u>	<u>\$ 257,138.26</u>	<u>\$ 282,765.59</u>
Depreciation and amortization	17,979.72	1,443.24	5,847.72
TOTAL EXPENSES	<u><u>\$ 700,145.26</u></u>	<u><u>\$ 258,581.50</u></u>	<u><u>\$ 288,613.31</u></u>

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
\$ 512,609.94			\$ 28,969.38	\$ 121,941.53		\$ 1,327,303.63
99,791.62			6,490.06	21,978.75		270,522.34
<u>\$ 612,401.56</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 35,459.44</u>	<u>\$ 143,920.28</u>		<u>\$ 1,597,825.97</u>
19,511.61	4,003.57	1,555.81	9,174.75	4,859.00		71,574.30
8,117.94			178.01	2,990.59		24,965.19
4,261.69				1,933.53		16,511.15
957.18			175.52	1,247.52		4,640.05
1,975.98				46,199.82		54,967.99
188.07				117.45		1,032.61
11,828.83	500.00		2,612.51	6,463.02		43,405.63
417.64				424.75		5,504.86
14,120.41				8,059.99		51,549.42
1,831.78				610.60		2,442.38
160.28				921.94		1,452.22
24,720.00						35,577.06
1,599.24				773.71		7,015.42
						42,404.60
379.00				1,249.39		5,670.08
					\$ 39,089.72	39,089.72
						223,302.28
5,718.40				977.94		14,826.93
<u>\$ 708,189.61</u>	<u>\$ 4,503.57</u>	<u>\$ 1,555.81</u>	<u>\$ 47,600.23</u>	<u>\$ 220,749.53</u>	<u>\$ 39,089.72</u>	<u>\$ 2,243,757.86</u>
12,025.78				8,999.72		46,296.18
<u>\$ 720,215.39</u>	<u>\$ 4,503.57</u>	<u>\$ 1,555.81</u>	<u>\$ 47,600.23</u>	<u>\$ 229,749.25</u>	<u>\$ 39,089.72</u>	<u>\$ 2,290,054.04</u>

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

Year ended June 30, 2007

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Increase in net assets		\$ 58,159.26
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation and amortization	\$ 46,296.18	
(Increase) decrease in operating assets:		
Pledges receivable	46,715.00	
Accounts receivable	9,029.12	
Prepaid expenses	(1,513.38)	
Increase (decrease) in operating liabilities:		
Accounts payable	6,598.95	
Accrued leave and wages	1,835.08	
Accrued payroll taxes	629.69	
Unearned grants	940.62	
Other current liabilities	(445.59)	
	NET ADJUSTMENTS	110,085.67
	NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 168,244.93

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Short-term investments, net	\$ (70,182.99)	
Payments for property and equipment	(60,523.60)	
	NET CASH USED BY INVESTING ACTIVITIES	(130,706.59)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Loan payments	\$ (28,065.62)	
	NET CASH USED BY FINANCING ACTIVITIES	(28,065.62)
	NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 9,472.72
	BEGINNING CASH AND CASH EQUIVALENTS	506,980.85
	ENDING CASH AND CASH EQUIVALENTS	\$ 516,453.57

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

Cash paid during the year for:		
Interest		\$ 2,442.38

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

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

**June 30, 2007**

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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, 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, 2007

**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 2,000 volunteer hours per year.

**NOTE C - CASH AND RESTRICTED FUNDS**

The following is a summary of cash and restricted funds at June 30, 2007:

	<u>Cash Equivalents</u>	Certificates of <u>Deposit</u>	<u>Total</u>
Cash for general use	\$510,945.57	\$418,694.91	\$929,640.48
Restricted funds:			
Loan reserve fund	<u>5,508.00</u>	<u>                    </u>	<u>5,508.00</u>
	<u>\$516,453.57</u>	<u>\$418,694.91</u>	<u>\$935,148.48</u>

The loan reserve fund is restricted for future loan and interest payments.

NOTES TO FINANCIAL STATEMENTS (cont'd)

COMMUNITY DEVELOPMENT CENTER

June 30, 2007

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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 continued to exceed \$100,000.00 at this depository at June 30, 2007, by \$4,853.25. The Center also had another account that exceeded \$100,000.00 at various times throughout the year (by as much as \$10,498.00 on one occasion.)

NOTE D - RESTRICTIONS ON NET ASSETS

Of the temporarily restricted net assets at June 30, 2007, \$30,860.00 is United Way funding for the next year. The balance of \$5,508.00 is a bond reserve fund as discussed in Note H. 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	\$ 30,860.00
City and county funding	<u>11,366.63</u>
	<u>\$ 42,226.63</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, 2007.

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

**COMMUNITY DEVELOPMENT CENTER**

June 30, 2007

**NOTE F - PROPERTY AND EQUIPMENT**

Major classifications of property and equipment are as follows:

	<u>Cost</u>			
	<u>Balance</u>		<u>Retirements</u>	<u>Balance</u>
	<u>July 1, 2006</u>	<u>Additions</u>		<u>June 30, 2007</u>
Equipment	\$211,818.27	\$ 22,080.80	\$ -0-	\$ 233,899.07
Vehicles	133,155.07	33,672.00	-0-	166,827.07
Land	39,202.68	4,027.80	-0-	43,230.48
Building, building improvements	<u>581,536.65</u>	<u>743.00</u>	-0-	<u>582,279.65</u>
	<u>\$965,712.67</u>	<u>\$ 60,523.60</u>	<u>\$ -0-</u>	<u>\$ 1,026,236.27</u>

	<u>Accumulated Depreciation</u>			
	<u>Balance</u>		<u>Retirements</u>	<u>Balance</u>
	<u>July 1, 2006</u>	<u>Additions</u>		<u>June 30, 2007</u>
Equipment	\$145,190.47	\$19,939.80	\$ -0-	\$ 165,130.27
Vehicles	111,704.11	8,948.61	-0-	120,652.72
Building, building improvements	<u>63,630.09</u>	<u>16,630.24</u>	-0-	<u>80,260.33</u>
	<u>\$320,524.67</u>	<u>\$45,518.65</u>	<u>\$ -0-</u>	<u>\$ 366,043.32</u>

**NOTE G - LONG-TERM DEBT**

The Center has a loan payable to USDA-Rural Development Agency with interest at 4.5% which requires monthly payments of \$459.00 including interest. The debt is secured by a promissory note with a first lien on the building and a pledge of the gross revenues from operations.

Maturities of long-term debt are as follows:

<u>Year Ending</u>	<u>Amount</u>
<u>June 30,</u>	
2008	\$ 3,569.01
2009	3,732.98
2010	3,904.45
2011	4,083.84
2012	4,271.45
Thereafter	<u>25,149.50</u>
	<u>\$44,711.23</u>

A special condition of the note payable to USDA-Rural Development Agency is that a reserve account must be established by depositing one tenth of an annual payment per year for ten years or until one annual payment is deposited in the account. The Center has set aside reserve funds in the amount of \$5,508.00, making the reserve fund fully funded as of June 30, 2007.

**NOTES TO FINANCIAL STATEMENTS (cont'd)**  
**COMMUNITY DEVELOPMENT CENTER**

**June 30, 2007**

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**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 \$7,045.00.

The Independent Support program leases facilities in Columbia. The agreement began December 1, 2005 and ends November 30, 2007. Amounts paid for the Columbia facilities totaled \$24,720.00. Future lease payments required under the lease for the Columbia facilities are as follows:

Year Ended	<u>Amount</u>
<u>June 30,</u>	
2008	\$ 9,300.00

**NOTE I - ACCRUED ANNUAL LEAVE**

This liability, in the amount of \$38,833.24, represents annual vacation earned by employees as of June 30, 2007, but not yet taken.

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

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

Use of facilities, including utilities and insurance	\$42,404.60
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In-kind revenue and expenses reflected in the financial statements are not actual monies received or expended.

**NOTE K - 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, 2007**

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**NOTE L - COMMITMENTS AND CONTINGENCIES**

The Center receives a major portion of its funding from the Department of Mental Health and Mental Retardation, 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, 2007, the Center's contributions (two percent match and in-lieu-of health insurance) totalled \$96,982.14. Employees are fully vested for all contributions made to the plan.

**NOTE N - RELATED PARTY**

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, 2007, the Center expended \$41,754.50 to obtain this coverage.

**SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

Board of Directors  
Community Development Center  
Shelbyville, Tennessee

Our audit was made for the purpose of expressing an opinion on the financial statements taken as a whole. The accompanying information, listed as other financial information in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of Community Development Center. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Winnett Associates*

November 15, 2007

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

**COMMUNITY DEVELOPMENT CENTER**

Year ended June 30, 2007

CFDA Number	Program Name	Grant Number	Grantor Agency	Balance July 1, 2006	Cash Receipts
<u>State Financial Assistance</u>					
N/A	Independent Support Coordination	05-116M	Tennessee Department Of Finance and Administration Division of Mental Retardation	\$ (18,553.74)	\$ 20,177.70
N/A	Family Support	Z-05-022062-00	Tennessee Department of Finance and Administration Division of Mental Retardation	(4,573.16)	4,573.16
20.513	Transportation Services	Z-06-031661-00	Tennessee Department of Public Transportation	-0-	3,741.00
N/A	Family Support	Z-05-022062-00	Tennessee Department of Finance and Administration Division of Mental Retardation	-0-	232,527.37
N/A	Early Intervention	Z-05-022061-00	Tennessee Department of Finance and Administration Division of Mental Retardation	-0-	344,000.00
N/A	Part C	Same	Same	-0-	22,163.00
N/A	Independent Support Coordination	05-116M	Tennessee Department Of Finance and Administration Division of Mental Retardation	-0-	879,518.26
			Total State Awards	<u>\$ (23,126.90)</u>	<u>\$ 1,506,700.49</u>
<u>Federal Awards</u>					
20.513	Transportation Services	Z-06-031661-00	Federal Department of Public Transportation	-0-	29,931.00

N/A = Not Applicable

Loans Outstanding: At June 30, 2007, there was an outstanding balance of \$44,711.23 on a loan obtained in a prior year through USDA Rural Development's Community Facilities Direct Loan program. Payments during the current year totaled \$28,065.62.

See independent auditors' report on supplementary information.

Other Additions	Amount Earned	Paid To Grantor	Other Deductions	Balance June 30, 2007
	\$ 1,623.96			\$ -0-
				-0-
	3,741.00			-0-
	263,026.00			(30,498.63)
	344,000.00			-0-
	22,163.00			-0-
	<u>882,534.26</u>			<u>(3,016.00)</u>
	<u>\$ 1,517,088.22</u>			<u>\$ (33,514.63)</u>
	29,931.00			-0-

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

June 30, 2007

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DIRECTORS

Garrett Gordon	- Chairman	Stanley Newton
Barry Childers	- Vice Chairman	Teresa Brown
Donna Stone	- Financial Officer	Debra Quarles
Bonnie Scheuchenzuber	- Secretary	Chesley Enloe
Joe Hunt	- Ex-Officio	Quinn Brandon
Jane Townes	- Ex-Officio	Jim Sanders
Bobby Fox		
Wallace Cartwright		
Marilyn Massengale		

See independent auditors' report on supplementary information.

**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 the financial statements of Community Development Center (a not-for-profit corporation) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 15, 2007. 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 Community Development Center'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 Community Development Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center'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 organization'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.

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*.

This report is intended solely for the information and use of the Board, management and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Winnett Associates*

November 15, 2007

# WINNETT Associates, PLLC

Certified Public Accountants and Consultants

514 Elm Street, P. O. Box 745  
Shelbyville, Tennessee 37162

Board of Directors  
Community Development Center  
Shelbyville, Tennessee

We have audited the financial statements of Community Development Center for the year ended June 30, 2007, and have issued our report thereon dated November 15, 2007. Professional standards require that we provide you with the following information related to our audit.

### *Our Responsibility Under Generally Accepted Auditing Standards and Government Auditing Standards*

As stated in our engagement letter dated June 7, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Community Development Center. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### *Significant Accounting Policies*

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Community Development Center are described in Note B to the financial statements and are in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

### *Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Based on our auditing procedures, we believe such estimates are reasonable.

### *Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. One adjustment proposed by us relates to a prior year adjustment recorded in the current year. The other adjustment proposed by us relates to a pledge that was recorded in the following year rather than in the year being audited.

*Disagreements with Management*

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management or staff members in performing and completing our audit.

*Recommendations for Additions to the Center's Operating Procedures*

The Center is currently taking a physical inventory annually. We recommend that this inventory be used to update the fixed asset records of the Center. We also recommend that the Center maintain documentation of the funding source of those fixed assets funded wholly or in part with grant funding.

There were several bank accounts opened or closed during the year. We recommend that the governing board approve all openings and closings of bank accounts and that this approval be documented in the minutes.

One consideration in establishing proper segregation is having different people be responsible for preparing, signing, and mailing disbursement checks. We recommend that the Center consider having persons who sign checks give the checks to someone other than the preparer to mail.

This information is intended solely for the use of the Board of Directors and management of Community Development Center, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Winnett Associates*

WINNETT ASSOCIATES, PLLC

November 15, 2007