

RUFFY-HOLMES SENIOR CENTER, INC.  
Salisbury, North Carolina

INDEPENDENT ACCOUNTANTS' AUDIT  
REPORT AND  
FINANCIAL STATEMENTS

As of or For the Years Ended  
June 30, 2009 and 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Rufty-Holmes Senior Center, Inc.  
Salisbury, North Carolina

We have audited the accompanying statements of financial position of Rufty-Holmes Senior Center, Inc. (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rufty-Holmes Senior Center, Inc. as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Kevin S. Walser, CPA, P.A.

*Kevin S. Walser, CPA, P.A.*

November 2, 2009

RUFTY-HOLMES SENIOR CENTER, INC.  
STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	\$ 78,923	\$ 300,383
Dividends receivable	284	324
Grants receivable	1,418	-
Sales tax refund receivable	730	5,362
Prepaid expenses	4,071	3,244
Long-term investments	33,278	43,753
Land held for investment	31,000	31,000
Property and equipment, net	1,597,011	1,566,510
Total Assets	\$ 1,746,715	\$ 1,950,576
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 4,383	\$ 119,862
Accrued salaries	8,626	8,243
Accrued payroll taxes	5,313	6,064
Total Liabilities	18,322	134,169
Net Assets:		
Unrestricted	1,626,510	1,608,478
Temporarily restricted	74,377	171,476
Permanently restricted	27,506	36,453
Total Net Assets	1,728,393	1,816,407
Total Liabilities and Net Assets		
Total Liabilities and Net Assets	\$ 1,746,715	\$ 1,950,576

Notes to financial statements are an integral part hereof

RUFTY-HOLMES SENIOR CENTER, INC.  
STATEMENTS OF ACTIVITIES  
For the Year Ended June 30, 2009  
(With Comparative Totals for 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009	2008
Support and Revenue					
Support:					
United Way allocation	\$ 65,500			\$ 65,500	\$ 64,000
City of Salisbury	58,000			58,000	58,000
Rowan County	40,000			40,000	40,000
HCCBG Funds	28,642			28,642	28,642
State senior appropriations	13,090			13,090	16,404
Other local municipalities	2,650			2,650	3,250
Business partners	8,413			8,413	12,074
Contributions	36,417	\$ 10,535	\$ 300	47,252	619,397
Non-cash contributions	1,044			1,044	-
Total support	<u>253,756</u>	<u>10,535</u>	<u>300</u>	<u>264,591</u>	<u>841,767</u>
Revenue:					
Program services	96,997			96,997	100,867
Grants	45,738			45,738	58,486
Sublease income	13,530			13,530	10,500
Interest income	134	1,315	7	1,456	13,183
Investment income (loss)	1,588	(1,563)	(9,167)	(9,142)	(2,544)
Gain (loss) on disposal of assets	(136)	-		(136)	300
Transfer to operating reserve	(9,587)	9,587		-	-
Satisfaction of restrictions to purchase property and equipment	116,917	(116,917)	-	-	-
Total revenue	<u>265,181</u>	<u>(107,578)</u>	<u>(9,160)</u>	<u>148,443</u>	<u>180,792</u>
Total support and revenue	<u>518,937</u>	<u>(97,043)</u>	<u>(8,860)</u>	<u>413,034</u>	<u>1,022,559</u>
Operating expenses	<u>500,905</u>	<u>56</u>	<u>87</u>	<u>501,048</u>	<u>470,819</u>
Change in net assets	18,032	(97,099)	(8,947)	(88,014)	551,740
Net assets as of beginning of years	<u>1,608,478</u>	<u>171,476</u>	<u>36,453</u>	<u>1,816,407</u>	<u>1,264,670</u>
Net assets as of end of years	<u>\$ 1,626,510</u>	<u>\$ 74,377</u>	<u>\$ 27,506</u>	<u>\$ 1,728,393</u>	<u>\$ 1,816,410</u>

Notes to financial statements are an integral part hereof

RUFTY-HOLMES SENIOR CENTER, INC.  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Changes in net assets	\$ (88,014)	\$ 551,737
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	80,223	56,888
(Gain) loss on disposal of assets	136	(300)
Realized (gain) loss on investments	-	366
Unrealized (gain) loss on investments	11,089	6,228
(Increase) decrease in operating assets:		
Dividends receivable	40	18
Grants receivable	(1,418)	-
Sales tax refund receivable	4,632	(4,740)
Prepaid expenses	(827)	1,749
Increase (decrease) in operating liabilities:		
Accounts payable	(115,479)	117,980
Accrued liabilities	(367)	196
	(109,985)	730,122
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from the sale of investments	-	5,000
Cash received from the sale of property and equipment	-	300
Purchase of investments	(616)	(2,358)
Payments for the purchase of property and equipment	(110,859)	(750,103)
	(111,475)	(747,161)
Net cash used by investing activities		
Net increase in cash and cash equivalents	(221,460)	(17,039)
Beginning cash and cash equivalents	300,383	317,422
Ending cash and cash equivalents	\$ 78,923	\$ 300,383
Non-cash transactions:		
Scholarships awarded, to individuals in need of assistance, for the various programs provided by the center.	\$ 8,661	\$ 9,199

Notes to financial statements are an integral part hereof

RUFTY-HOLMES SENIOR CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

**Summary of Significant Accounting Policies:**

Rufty-Holmes Senior Center, Inc. is located in Salisbury, North Carolina and offers numerous programs, activities, and services to senior citizens of Salisbury and Rowan County, North Carolina. The Center is supported primarily through donor contributions, grants, and the United Way.

The financial statements of Rufty-Holmes Senior Center, Inc. have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Rufty-Holmes Senior Center, Inc. is a nonprofit organization and as such is exempt from paying income taxes under the Internal Revenue Code Section 501(c)(3).

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents:**

The Center considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. The balance of cash and cash equivalents at a financial banking institution do occasionally exceed the federally insured limit of \$100,000. As of the balance sheet date, the balance of cash and cash equivalents at any one financial banking institution did not exceed the federally insured limit of \$100,000. The balances fluctuate greatly during the year and can often exceed the \$100,000 limit.

As of the balance sheet date, a portion of the monies included in cash and cash equivalents have been set aside for future use in the Capital Fund and the Operating Reserve Fund. These amounts are included in temporarily restricted net assets. As of June 30, 2009 and 2008 \$68,605 and \$280,050, respectively were the amounts shown in cash and cash equivalents that have been placed as temporarily restricted funds.

RUFTY-HOLMES SENIOR CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)

**Long-Term Investments:**

The Center has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

The Center invests all of its endowment fund contributions with Advantage Capital Corporation in its American Funds Capital Income Builder Class F fund. The value of the endowment fund as of June 30, 2009 was \$27,506, with a cost basis of \$35,943.

The appreciation (depreciation) is included in investment income on an annual basis. Dividend income from the investments are paid out to the Center and used in its operating budget, while the long-term capital gains of the investments are reinvested into additional shares and remain in permanently restricted net assets.

The Center also invests part of its Capital Fund in the American Funds Capital Income Fund. The value of the Capital Fund as of June 30, 2009 was \$5,772 with a cost basis of \$7,562. The Center sold \$5,000 of this fund on January 16, 2008 realizing a long-term capital gain of \$366 for the Fitness Room Annex.

The appreciation (depreciation) is included in investment income on an annual basis. Dividend income and long-term capital gains of the investment is reinvested into additional shares and remain in temporarily restricted net assets.

**Land Held for Investment:**

During the fiscal year ended June 30, 2004 the Center was bequeathed 6.47 acres of undeveloped land on Kelley Drive in Salisbury, NC. The land was appraised at \$31,000 and booked as a non-cash contribution in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. The land is not currently being utilized by the Center. The Board of Directors has decided that selling the land would be its best use for the Center.

RUFTY-HOLMES SENIOR CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)

**Property and Equipment:**

Property and equipment are stated net of accumulated depreciation. Expenditures for maintenance and repairs are charged against operation. Renewals and betterments that materially extend the life of the assets are capitalized. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as temporarily restricted support until the donated assets are placed in service. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. The costs or estimated fair market values by category of depreciable assets along with their respective estimated useful lives are as follows:

	<u>2008</u>	<u>2008</u>	<u>Years</u>
Land	\$ 39,400	\$ 39,400	N/A
Building and improvements	2,067,906	1,965,384	15-40
Equipment, furniture and fixtures	<u>297,238</u>	<u>296,329</u>	5-10
	2,404,544	2,301,113	
Less accumulated depreciation	<u>807,533</u>	<u>734,603</u>	
	<u>\$ 1,597,011</u>	<u>\$ 1,566,510</u>	

**Accrued Salaries:**

Certain employees of the Center are entitled to paid vacations depending on job classification, length of service and other factors. Salaries have been accrued to estimate the current cost of this benefit to the Center's employees of \$8,626 in 2009 and \$8,243 in 2008. Some employees are also entitled to other time off for sickness and personal leave. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Center's policy is to recognize sick and personal leave absences when paid to employees.

**Functional Allocation of Expenses:**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

RUFTY-HOLMES SENIOR CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)

**Employee Pension Plan:**

Beginning on January 1, 1990, the Center sponsors a defined contribution Simplified Employees Pension covering all eligible employees. Contributions are determined each year by the Board of Directors as a percentage of each covered employee's salary and totaled \$7,263 and \$5,993 in 2009 and 2008, respectively. Effective January 1, 2000 the eligibility requirement to receive retirement contributions is to be changed from one year of service to three years of service. The age requirement of 21 years of age is to remain.

**Donated Services, Materials, and Facilities:**

The Center receives donated services from a variety of unpaid volunteers assisting the Center in various capacities. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS. 116 have not been satisfied.

**Operating Reserve Fund:**

Effective for the fiscal year ended June 30, 2003 the Board of Directors of the Center established an Operating Reserve Fund for the purpose of providing emergency support for the Operating Fund. It can be used to offset losses in income and revenue in the Operating Budget, or pay for unexpected or emergency expenses. The cash balance remaining in the Operating Fund at the end of each fiscal year or the excess deficit at the end of the year shall automatically be transferred to or removed from the Operating Reserve Fund unless specifically exempted by action of the Board of Directors. During the fiscal year ended June 30, 2006 the Board re-evaluated the amount needed in the reserve from  $\frac{1}{4}$  of the yearly annual budget to  $\frac{1}{12}$  of the budget, with any excess transferring to the Capital Fund. Permanent disbursements from the Operating Reserve Fund shall be made with the approval of the Finance Committee and the Board; temporary disbursements to solve cash flow problems may be made at the Executive Director's discretion. During the year ended June 30, 2009, the Operating Fund had an excess of \$10,169. The finance committee and the board have budgeted to use \$7,500 of the Operating Reserve Fund for potential shortfalls in the upcoming year. As of the balance sheet date, the Operating Reserve Fund has a balance of \$43,634, which has not been separated out of the operating checking account. That amount increases to \$53,802 on July 1, 2009. The balance will be reflected as part of the temporarily restricted net assets.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Rufty-Holmes Senior Center, Inc.

Our report on our audit of the basic financial statements of Rufty-Holmes Senior Center, Inc., appears on page one. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses and financial position by fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kevin S. Walser, CPA, P.A.



November 2, 2009

RUFY-HOLMES SENIOR CENTER, INC.  
SCHEDULES OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2009  
(With Comparative Totals for 2008)

	Program Services	Supporting Services		
	Social and Community Services	Management and General	2009	2008
Salaries	\$ 170,006	\$ 43,161	\$ 213,167	\$ 204,877
Group insurance	20,624	7,602	28,226	26,036
Employee retirement	5,243	2,020	7,263	5,993
Payroll taxes	14,264	3,458	17,722	16,748
Total salaries and related expenses	210,137	56,241	266,378	253,654
Program expenses	57,905		57,905	67,919
Fundraising expenses	1,128		1,128	698
Utilities	29,230	3,248	32,478	28,182
Telephone	264	263	527	490
Security maintenance	372		372	372
Janitorial supplies	3,863	429	4,292	4,675
Repairs and maintenance	13,748	1,527	15,275	10,763
Insurance	12,056	1,339	13,395	14,187
Training and conferences	1,501		1,501	3,640
Office expenses	4,191	466	4,657	4,628
Travel	1,448		1,448	1,732
Printing and advertising	1,346		1,346	2,679
Outreach and scholarships	13,852		13,852	14,307
Legal and professional	441	4,950	5,391	5,080
Dues and subscriptions	737		737	799
	352,219	68,463	420,682	413,805
Depreciation	72,200	8,023	80,223	56,888
Total operating expenses	<u>\$ 424,419</u>	<u>\$ 76,486</u>	<u>\$ 500,905</u>	<u>\$ 470,693</u>

Notes to financial statements are an integral part hereof

RUFY-HOLMES SENIOR CENTER, INC.  
SUPPLEMENTAL SCHEDULE OF  
FINANCIAL POSITION BY FUND  
June 30, 2009

	Operating	Plant and Operating Reserve	Endowment	Totals
<b>Assets</b>				
Cash	\$ 10,318	\$ 68,605	\$ -	\$ 78,923
Dividends receivable	284			284
Grants receivable	1,418			1,418
Sales tax refund receivable	730			730
Prepaid expenses	4,071			4,071
Investments		5,772	27,506	33,278
Land held for investment		31,000		31,000
Property and equipment, net		1,597,011		1,597,011
<b>Total Assets</b>	<b>\$ 16,821</b>	<b>\$ 1,702,388</b>	<b>\$ 27,506</b>	<b>\$ 1,746,715</b>
 <b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 4,383	\$ -	\$ -	\$ 4,383
Accrued salaries	8,626			8,626
Accrued payroll taxes	5,313			5,313
<b>Total Liabilities</b>	<b>18,322</b>	<b>-</b>	<b>-</b>	<b>18,322</b>
 <b>Fund Balances</b>				
<b>Unrestricted</b>				
Undesignated	(1,501)			(1,501)
 <b>Restricted</b>				
Designated for Endowment Fund			27,506	27,506
Designated for Operating Reserve Fund		43,634		43,634
Designated for Plant Fund		30,743		30,743
<b>Net investment in plant</b>		<b>1,628,011</b>		<b>1,628,011</b>
<b>Total Fund Balances</b>	<b>(1,501)</b>	<b>1,702,388</b>	<b>27,506</b>	<b>1,728,393</b>
 <b>Total Liabilities and Fund Balances</b>	 <b>\$ 16,821</b>	 <b>\$ 1,702,388</b>	 <b>\$ 27,506</b>	 <b>\$ 1,746,715</b>

Notes to financial statements are an integral part hereof