

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

**INDEPENDENT ACCOUNTANTS' AUDIT
REPORT AND
FINANCIAL STATEMENTS**

**As of or For the Years Ended
June 30, 2011 and 2010**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Ruffy-Holmes Senior Center, Inc. (a nonprofit organization) as of June 30, 2011 and 2010, 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 Ruffy-Holmes Senior Center, Inc. as of June 30, 2011 and 2010, 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 8, 2011

RUFY-HOLMES SENIOR CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ 37,903	\$ 84,781
Dividends receivable	-	280
Grants receivable	24,068	1,619
Sales tax refund receivable	707	1,846
Prepaid expenses	1,893	3,517
Long-term investments	33,719	35,310
Land held for investment	31,000	31,000
Property and equipment, net	1,557,736	1,531,439
Total Assets	\$ 1,687,026	\$ 1,689,792
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 4,267	\$ 1,654
Accrued salaries	3,873	7,960
Accrued payroll taxes	6,615	6,019
Total Liabilities	14,755	15,633
Net Assets:		
Unrestricted	1,590,067	1,574,458
Temporarily restricted	48,335	70,682
Permanently restricted	33,869	29,019
Total Net Assets	1,672,271	1,674,159
Total Liabilities and Net Assets	\$ 1,687,026	\$ 1,689,792

Notes to financial statements are an integral part hereof

RUFY-HOLMES SENIOR CENTER, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2011
(With Comparative Totals for 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011</u>	<u>2010</u>
Support and Revenue					
Support:					
United Way allocation	\$ 55,940			\$ 55,940	\$ 62,900
City of Salisbury	58,000			58,000	58,000
Rowan County	60,000			60,000	60,000
HCCBG Funds	49,959			49,959	28,642
State senior appropriations	12,244			12,244	12,653
Other local municipalities	2,350			2,350	2,350
Business partners	7,668			7,668	9,484
Contributions	37,021	\$ 73,479	\$ 150	110,650	45,864
Non-cash contributions	34,813			34,813	40,822
Total support	<u>317,995</u>	<u>73,479</u>	<u>150</u>	<u>391,624</u>	<u>320,715</u>
Revenue:					
Program services	110,704			110,704	111,474
Grants	30,096			30,096	40,084
Sublease income	13,530			13,530	13,530
Interest income	89	174	-	263	338
Investment income (loss)	990	1,402	4,779	7,171	3,029
Gain (loss) on disposal of assets	(547)	-		(547)	(3,099)
Transfer to operating reserve	-	-		-	-
Satisfaction of restrictions to purchase property and equipment	97,384	(97,384)	-	-	-
Total revenue	<u>252,246</u>	<u>(95,808)</u>	<u>4,779</u>	<u>161,217</u>	<u>165,356</u>
Total support and revenue	<u>570,241</u>	<u>(22,329)</u>	<u>4,929</u>	<u>552,841</u>	<u>486,071</u>
Operating expenses	<u>554,633</u>	<u>18</u>	<u>79</u>	<u>554,730</u>	<u>540,305</u>
Change in net assets	15,609	(22,347)	4,850	(1,889)	(54,234)
Net assets as of beginning of years	<u>1,574,458</u>	<u>70,682</u>	<u>29,019</u>	<u>1,674,159</u>	<u>1,728,393</u>
Net assets as of end of years	<u>\$ 1,590,067</u>	<u>\$ 48,335</u>	<u>\$ 33,869</u>	<u>\$ 1,672,271</u>	<u>\$ 1,674,159</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, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Changes in net assets	\$ (1,889)	\$ (54,234)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	87,212	87,191
(Gain) loss on disposal of assets	547	3,099
Unrealized (gain) loss on investments	(6,064)	(1,733)
Noncash contributions included in property and equipment	(5,495)	(11,304)
(Increase) decrease in operating assets:		
Dividends receivable	280	5
Grants receivable	(22,449)	(201)
Sales tax refund receivable	1,139	(1,116)
Prepaid expenses	1,624	554
Increase (decrease) in operating liabilities:		
Accounts payable	2,613	(2,729)
Accrued liabilities	(3,491)	40
Net cash provided by operating activities	54,028	19,572
Cash flows from investing activities:		
Sale of investments	7,675	-
Purchase of investments	(20)	(300)
Payments for the purchase of property and equipment	(108,561)	(13,414)
Net cash used by investing activities	(100,906)	(13,714)
Net increase in cash and cash equivalents	(46,879)	5,858
Beginning cash and cash equivalents	84,781	78,923
Ending cash and cash equivalents	\$ 37,903	\$ 84,781
Non-cash transactions:		
Scholarships awarded, to individuals in need of assistance, for the various programs provided by the center.	\$ 7,472	\$ 8,756

Notes to financial statements are an integral part hereof

RUFTY-HOLMES SENIOR CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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 \$250,000. 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 \$250,000. The balances fluctuate greatly during the year but would rarely, if ever exceed the \$250,000 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, 2011 and 2010 \$48,335 and \$64,391, 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 FSC Securities Corporation in its PIMCO Total Return Fund and PL Portfolio Optimization Fund. The value of the endowment fund as of June 30, 2011 was \$33,719, with a cost basis of \$33,839.

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 closed out the part of its Capital Fund that was invested in the American Funds Capital Income Fund. The fund was liquidated on May 16, 2011 netting out \$7,675 for a loss of \$139 from inception.

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>2011</u>	<u>2010</u>	<u>Years</u>
Land	\$ 39,400	\$ 39,400	N/A
Building and improvements	2,165,192	2,067,906	15-40
Equipment, furniture and fixtures	<u>318,361</u>	<u>317,417</u>	5-10
	2,522,953	2,424,723	
Less accumulated depreciation	<u>965,217</u>	<u>893,284</u>	
	<u>\$ 1,557,736</u>	<u>\$ 1,531,439</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 \$3,873 in 2011 and \$7,960 in 2010. 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 \$6,167 and \$6,834 in 2011 and 2010, respectively. Effective January 1, 2000 the eligibility requirement to receive retirement contributions was 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. However, the Center recognizes that 145 volunteers contributed a total of 9,000 volunteer hours for the benefit of the Center and its programs.

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. The reserve is set at approximately 1/12 of the budget, with any excess transferring to the Capital Fund. Permanent disbursements from the Operating Reserve Fund shall be made only 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, 2011, the Operating Fund had an excess of \$1,331. As of the balance sheet date, the Operating Reserve Fund has a balance of \$44,533, which has not been separated out of the operating checking account. That amount will remain unchanged on July 1, 2011. The balance will be reflected as part of the temporarily restricted net assets.

Subsequent Events:

As of July 1, 2011, the Center will take over operations from Rowan County government for providing Information and Assistance, Nutrition and Title V Senior Employment, as well as continues its present operation. The staff and payroll will increase by 4 more full-time, and 33 part-time employees. Its operating budget will increase from \$444,400 to over \$1.3 million per year. The extra income and expenses are to be paid in their entirety by Rowan County and the State of North Carolina as part of the HCCBG grant programs.

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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.

Kevin S. Walser, CPA, P.A.

November 8, 2011

RUFY-HOLMES SENIOR CENTER, INC.
SUPPLEMENTAL SCHEDULE OF
FINANCIAL POSITION BY FUND
June 30, 2011

Assets	Operating	Plant and Operating Reserve	Endowment	Totals
Cash	\$ (10,582)	\$ 48,335	\$ 150	\$ 37,903
Grants receivable	24,068			24,068
	-			-
Sales tax refund receivable	707			707
Prepaid expenses	1,893			1,893
Investments			33,719	33,719
Land held for investment		31,000		31,000
Property and equipment, net		1,557,736		1,557,736
Total Assets	\$ 16,086	\$ 1,637,071	\$ 33,869	\$ 1,687,026
 Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 4,267	\$ -	\$ -	\$ 4,267
Accrued salaries	3,873			3,873
Accrued payroll taxes	6,615			6,615
Total Liabilities	14,755	-	-	14,755
 Fund Balances				
Unrestricted				
Undesignated	1,331			1,331
 Restricted				
Designated for Endowment Fund			33,869	33,869
Designated for Operating Reserve Fund		44,533		44,533
Designated for Plant Fund		3,802		3,802
Net investment in plant		1,588,736		1,588,736
Total Fund Balances	1,331	1,637,071	33,869	1,672,271
 Total Liabilities and Fund Balances	 \$ 16,086	 \$ 1,637,071	 \$ 33,869	 \$ 1,687,026

Notes to financial statements are an integral part hereof

RUFY-HOLMES SENIOR CENTER, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011
(With Comparative Totals for 2010)

	Program Services	Supporting Services		
	Social and Community Services	Management and General	2011	2010
Salaries	\$ 199,241	\$ 40,729	\$ 239,970	\$ 218,877
Group insurance	18,446	7,710	26,156	29,509
Employee retirement	4,147	2,020	6,167	6,834
Payroll taxes	17,022	3,421	20,443	18,231
 Total salaries and related expenses	 238,856	 53,880	 292,736	 273,451
 Program expenses	 78,201		 78,201	 87,369
Fundraising expenses	226		226	1,061
Utilities	29,274	3,253	32,527	35,051
Telephone	287	288	575	575
Security maintenance	771		771	747
Janitorial supplies	4,162	462	4,624	4,301
Repairs and maintenance	8,927	991	9,918	9,533
Insurance	17,087	1,898	18,985	12,319
Training and conferences	724		724	1,558
Office expenses	4,990	565	5,555	4,890
Penalties	-		-	112
Travel	985		985	1,106
Printing and advertising	1,065		1,065	1,030
Outreach and scholarships	12,287		12,287	13,461
Legal and professional	941	6,465	7,406	5,593
Dues and subscriptions	836		836	862
	399,619	67,802	467,421	453,019
 Depreciation	 78,491	 8,721	 87,212	 87,191
 Total operating expenses	 \$ 478,110	 \$ 76,523	 \$ 554,633	 \$ 540,210

Notes to financial statements are an integral part hereof