

TURN COMMUNITY SERVICES, INC.

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT

Years Ended June 30, 2009 and 2008

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CARVER
FLOREK &
JAMES, CPA's

CERTIFIED PUBLIC ACCOUNTANTS

Steven L. Carver, CPA
Brent R. Florek, CPA
Gordon H. James, CPA
Kerby L. Cate, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
TURN Community Services, Inc.
Salt Lake City, Utah

We have audited the accompanying statements of financial position of TURN Community Services, Inc. (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits 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 audits 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 TURN Community Services, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2009 on our consideration of TURN Community Services, Inc.'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.

Carver Florek & James, CPA's

September 23, 2009

TURN COMMUNITY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

	2009	2008 (Restated - Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 92,529	\$ 233,098
Accounts receivable	1,058,956	974,568
Marketable securities	59,072	131,540
Prepaid expenses and other assets	151,209	68,590
Total current assets	1,361,766	1,407,796
Property and equipment, net (note 2)	5,106,340	4,851,907
Deposits	19,182	16,856
Other assets	34,163	29,212
	\$ 6,521,451	\$ 6,305,771
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Notes payable to banks (note 9)	\$ 317,270	\$ 524,536
Current maturities of long-term debt (note 8)	124,429	189,296
Current maturities of capital leases (note 10)	82,100	52,120
Accounts payable	101,291	80,391
Accrued interest	11,341	11,327
Accrued expenses	842,167	825,099
Total current liabilities	1,478,598	1,682,769
Long-term debt, less current maturities (note 8)	3,222,022	2,956,998
Capital leases, less current maturities (note 10)	75,530	175,931
Net assets - unrestricted	1,745,301	1,490,073
	\$ 6,521,451	\$ 6,305,771

See accompanying notes and auditors' report

TURN COMMUNITY SERVICES, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2009 and 2008

	2009	2008 (Restated - Note 1)
REVENUES		
Public support and revenue:		
Contract revenue	\$ 12,756,689	\$ 11,946,663
Room and board	336,572	315,749
Private revenue	180,941	174,680
Public support	253,993	349,123
Client activities	24,809	67,810
Other income	129,687	4,476
United Way	72,561	81,372
Interest income	169	6,134
Total public support and revenue	13,755,421	12,946,007
EXPENSES		
Residential programs	7,872,156	8,202,355
Day Training	3,406,333	2,400,393
Hourly services	2,007,187	1,921,618
Fundraising and other	69,736	36,747
Management and general	144,781	471,487
Total expenses	13,500,193	13,032,600
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	255,228	(86,593)
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR (Restated - Note 1)	1,490,073	1,576,666
UNRESTRICTED NET ASSETS AT END OF YEAR	\$ 1,745,301	\$ 1,490,073

See accompanying notes and auditors' report

TURN COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2009

	<u>Residential Programs</u>	<u>Day Training</u>	<u>Hourly Services</u>
Salaries	\$ 5,574,487	\$ 2,094,690	\$ 1,390,226
Payroll taxes	484,398	182,253	120,929
Employee fringe benefits	592,685	220,923	146,590
Total salaries and benefits	6,651,570	2,497,866	1,657,745
Consultants/accounting	47,728	18,090	42,511
Office supplies	40,937	23,716	10,896
Food	37,918	1,698	-
Maintenance supplies	14,529	13,092	2,811
Program supplies	50,007	38,571	14,060
Rent	126,265	344,501	92,387
Utilities	63,278	45,998	8,836
Insurance	27,441	7,458	3,901
Repairs and maintenance	68,704	34,669	4,451
Depreciation	221,280	79,551	8,677
Other furniture and equipment	41,488	31,365	8,864
Auto expense	212,694	188,567	125,457
Telephone	50,743	27,433	13,902
License and permits	3,757	1,203	1,155
Other expense	76,613	22,372	7,987
Fundraising expense	-	-	-
Interest expense	137,204	30,183	3,547
Total expenses	<u>\$ 7,872,156</u>	<u>\$ 3,406,333</u>	<u>\$ 2,007,187</u>

See accompanying notes and auditors' report

TURN COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2009

	<u>Fundraising</u>	<u>Management and General</u>	<u>Company Total</u>
Salaries	\$ 45,200	\$ 92,000	\$ 9,196,603
Payroll taxes	3,706	7,544	798,830
Employee fringe benefits	4,520	9,200	973,918
Total salaries and benefits	53,426	108,744	10,969,351
Consultants/accounting	-	14,450	122,779
Office supplies	-	950	76,499
Food	-	-	39,616
Maintenance supplies	-	-	30,432
Program supplies	-	-	102,638
Rent	4,052	8,103	575,308
Utilities	-	-	118,112
Insurance	603	1,206	40,609
Repairs and maintenance	-	-	107,824
Depreciation	-	-	309,508
Other furniture and equipment	-	-	81,717
Auto expense	1,279	2,557	530,554
Telephone	2,443	4,888	99,409
License and permits	-	-	6,115
Other expense	1,941	3,883	112,796
Fundraising expense	5,992	-	5,992
Interest expense	-	-	170,934
Total expenses	<u>\$ 69,736</u>	<u>\$ 144,781</u>	<u>\$ 13,500,193</u>

See accompanying notes and auditors' report

TURN COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2008 (Restated – Note 1)

	<u>Residential Programs</u>	<u>Hourly Services</u>	<u>Day Training</u>
Salaries	\$ 5,857,388	\$ 1,331,791	\$ 1,484,862
Payroll taxes	484,488	109,461	124,030
Employee fringe benefits	<u>536,969</u>	<u>133,406</u>	<u>151,129</u>
 Total salaries and benefits	 6,878,845	 1,574,658	 1,760,021
 Consultants/accounting	 67,279	 45,554	 15,115
Office supplies	37,997	9,758	14,021
Food	42,661	-	9,606
Maintenance supplies	14,779	2,845	9,608
Program supplies	47,642	14,279	26,807
Rent	170,630	92,048	239,173
Utilities	58,854	6,355	32,581
Insurance	23,158	4,012	5,668
Repairs and maintenance	67,820	4,283	11,376
Depreciation	228,472	7,907	60,465
Other furniture and equipment	45,709	7,686	19,325
Auto expense	225,292	123,595	136,145
Telephone	38,375	14,029	18,238
License and permits	3,376	1,615	2,230
Other expense	50,719	7,897	10,865
Fundraising expense	-	-	-
Interest expense	<u>200,747</u>	<u>5,097</u>	<u>29,149</u>
 Total expenses	 <u>\$ 8,202,355</u>	 <u>\$ 1,921,618</u>	 <u>\$ 2,400,393</u>

See accompanying notes and auditors' report

TURN COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2008 (Restated – Note 1)

	Fundraising and Other	Management and General	Company Total
Salaries	\$ -	\$ 238,486	\$ 8,912,527
Payroll taxes	-	17,453	735,432
Employee fringe benefits	-	61,652	883,156
Total salaries and benefits	-	317,591	10,531,115
Consultants/accounting	-	21,643	149,591
Office supplies	-	6,850	68,626
Food	-	-	52,267
Maintenance supplies	-	-	27,232
Program supplies	-	-	88,728
Rent	-	29,089	530,940
Utilities	-	-	97,790
Insurance	-	250	33,088
Repairs and maintenance	-	-	83,479
Depreciation	-	4,698	301,542
Other furniture and equipment	-	19,806	92,526
Auto expense	-	3,425	488,457
Telephone	-	25,502	96,144
License and permits	-	-	7,221
Other expense	2,145	37,020	108,646
Fundraising expense	34,602	-	34,602
Interest expense	-	5,613	240,606
Total expenses	\$ 36,747	\$ 471,487	\$ 13,032,600

See accompanying notes and auditors' report

TURN COMMUNITY SERVICES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u> <u>(Restated -</u> <u>Note 1)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in unrestricted net assets	\$ 255,228	\$ (86,593)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	307,464	308,822
Unrealized loss on investments	4,457	8,956
Gain from sale of property and equipment	(134,709)	-
Changes in operating assets and liabilities:		
Accounts receivable	(84,388)	(2,937)
Prepaid expense, deposits and other assets	(84,945)	16,348
Accounts payable	15,415	20,476
Accrued expenses and interest	17,082	83,822
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>295,604</u>	<u>348,894</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(605,197)	(552,460)
Proceeds from sale of property and equipment	182,647	-
Purchase of available-for-sale investments	-	(60,000)
Sale of available-for-sale investments	68,011	60,000
Transfer from assets limited as to use	-	40,969
NET CASH USED IN INVESTING ACTIVITIES	<u>(354,539)</u>	<u>(511,491)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowing on short-term debt	-	215,112
Principal payments of short-term debt	(207,266)	-
Proceeds from borrowing on long-term debt	732,553	315,768
Principal payments of long-term debt	(534,274)	(285,630)
Principal payments of capital leases	(70,421)	(46,553)
Loan costs	(2,226)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(81,634)</u>	<u>198,697</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(140,569)	36,100
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>233,098</u>	<u>196,998</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 92,529</u>	<u>\$ 233,098</u>

See accompanying notes and auditors' report

TURN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

TURN Community Services, Inc. (the Organization) is a non-profit corporation organized under the Utah Nonprofit Corporation and Cooperative Association Act. The Organization's principal objective and purpose is to provide services to and promote the general welfare of people of all ages with disabilities in the State of Utah.

Tri Connections, Inc. Merger

Effective December 1, 2008, Tri Connections, Inc., a qualified Utah non-profit 501(c)(3) corporation, merged with the Organization. Revenues for the five month period prior to the merger were \$4,862,592 and \$780,352 for TURN Community Services, Inc. and Tri Connections, Inc., respectively. Changes in net assets for the five month period prior to the merger were \$85,872 and \$127,670 for TURN Community Services, Inc. and Tri Connections, Inc., respectively. The merger was accounted for as a pooling-of-interest. In accordance with Accounting Principles Board Opinion No. 16, *Business Combinations*, amounts shown in the statements of financial position, the statements of activities, and accompanying notes have been restated to include those of Tri Connections, Inc. as if the merger had occurred as of July 1, 2007.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, investments are reported at fair value, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

In accordance with SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, the Organization reports 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. However, the Organization had no temporarily or permanently restricted net assets during the years ended June 30, 2009 and 2008.

Use of Estimates

The financial statements include estimates and assumptions made by management that affect the carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (3 to 30 years).

TURN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Restricted and Unrestricted Revenue

Contributions received that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Investment Valuation and Income Recognition

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Unrealized gains or losses on investments are reflected in other income in the statements of activities.

Effective July 1, 2008, the Organization adopted Statement of Financial Accounting Standard (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- | | |
|---------|--|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities; |
| Level 2 | Quoted prices for identical or similar assets or liabilities in markets that are not considered to be active or identical or similar financial instruments for which all significant inputs are observable, either directly or indirectly; |
| Level 3 | Prices or valuations that require inputs that are both significant to the fair value measurements and unobservable. |

Concentration of Revenue Sources

Service contracts with the Utah Department of Human Services represent approximately 93 percent and 92 percent of the Organization's source of revenues for the years ended June 30, 2009 and 2008, respectively.

TURN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

**2. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. There was no known unrelated business income during the years ended June 30, 2009 and 2008.

Cash and Cash Equivalents

Cash and cash equivalents includes all unrestricted monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Other Assets

Other assets are comprised of unamortized debt issuance costs. Such debt issuance costs are amortized on the straight-line method over the terms of the obligations.

Functional Allocation of Expenses

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

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement No. 115 (SFAS No. 159). This standard amends SFAS No. 115, Accounting for Certain Investment in Debt and Equity Securities, with respect to accounting for a transfer to the trading category for all entities with available-for-sale and trading securities electing the fair value option. SFAS No. 159 allows companies to elect fair value accounting for many financial instruments and other items that currently are not required to be accounted as such, allows different applications for electing the option for a single item or groups of items, and requires disclosures to facilitate comparisons of similar assets and liabilities that are accounted for differently in relation to the fair value option. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company did not elect to apply the fair value option under SFAS no. 159 to any of its financial assets or liabilities, with the exception of marketable securities.

TURN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Land	\$ 1,091,042	\$ 1,045,492
Building	3,700,232	3,368,879
Building improvements	1,255,337	1,213,630
Furniture & equipment	554,004	510,311
Vehicles	<u>730,817</u>	<u>698,247</u>
	7,331,432	6,836,559
Accumulated depreciation	<u>(2,225,092)</u>	<u>(1,984,652)</u>
	<u><u>\$ 5,106,340</u></u>	<u><u>\$ 4,851,907</u></u>

3. OTHER ASSETS

Other assets at June 30, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Mortgage issuance costs	\$ 39,736	\$ 33,132
Accumulated amortization	<u>(5,573)</u>	<u>(3,920)</u>
	<u><u>\$ 34,163</u></u>	<u><u>\$ 29,212</u></u>

4. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest totaled \$191,446 and \$213,709 in 2009 and 2008, respectively. In 2008, the Organization acquired fixed assets through capital leases valued at \$49,373.

TURN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

5. MARKETABLE SECURITIES

Marketable securities are comprised of available-for-sale investments in corporate bonds and mutual funds with holdings in equity and debt securities. Gains and losses, including those resulting from unrealized changes in fair value, are reported under other income in the accompanying statement of activities. The cost, fair value, and unrealized holding gains and losses on marketable securities at June 30, 2009 and 2008 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Holding Gain</u>
2009	\$ 63,529	\$ 59,072	\$ (4,457)
2008	\$ 118,451	\$ 131,540	\$ 13,089

6. FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis at June 30, 2009 and 2008 are as follows:

	<u>Fair Value Measurements Using</u>			<u>Total</u>
	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
<u>June 30, 2009</u>				
Corporate bonds	\$ 6,173	\$ -	\$ -	\$ 6,173
Mutual funds	52,899	-	-	52,899
Total investments, at fair value	<u>\$ 59,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,072</u>
<u>June 30, 2008</u>				
Corporate bonds	\$ 5,987	\$ -	\$ -	\$ 5,987
Mutual funds	125,553	-	-	125,553
Total investments, at fair value	<u>\$ 131,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,540</u>

TURN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

7. RETIREMENT PLANS

The Organization established a 401(k) retirement plan and a deferred compensation plan on July 1, 1997 for all eligible employees with six months (or more) of service. Eligible employees may elect to contribute up to 20 percent of their annual compensation to the plan. The Organization may match 50 percent of the employee's contributions up to 6 percent of their gross pay. For the fiscal years 2009 and 2008, the Organization contributed \$57,800 and \$57,181, to the 401(k) plan, respectively. The Organization contributed \$6,813 to the deferred compensation plan in 2009. There were no contributions to the deferred compensation plan in 2008.

**TURN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008**

8. LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2009 and 2008:

TURN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

U.S. Department of Agriculture	Real estate	5.13	464	11/2029	70,236	72,151
Morgan Stanley	Real estate	5.75	959	8/2033	150,371	153,137
Olene Walker Housing Loan Fund	Real estate	3.00	126	01/2033	25,607	26,344
Olene Walker Housing Loan Fund	Real estate	1.00	461	9/2033	114,851	120,297
Olene Walker Housing Loan Fund	Real estate	1.00	179	03/2034	47,104	48,722
Olene Walker Housing Loan Fund	Real estate	1.00	164	12/2034	44,417	45,933
Olene Walker Housing Loan Fund	Real estate	1.00	See below	12/2009	29,431	-
Olene Walker Housing Loan Fund	Real estate	0.00	209	07/2015	15,179	17,686
Olene Walker Housing Loan Fund	Real estate	0.00	507	02/2015	40,036	46,118
Olene Walker Housing Loan Fund	Real estate	0.00	194	06/2036	63,000	65,334
Olene Walker Housing Loan Fund	Real estate	0.00	208	01/2037	68,782	71,275
Olene Walker Housing Loan Fund	Real estate	0.00	425	09/2037	144,177	149,280
CitiMortgage	Real estate	6.38	566	10/2034	85,261	86,572
CitiMortgage	Real estate	6.38	518	10/2034	77,954	79,153
CitiMortgage	Real estate	6.38	800	10/2034	120,526	122,379
CitiMortgage	Real estate	6.38	1,003	10/2034	151,022	153,344
CitiMortgage	Real estate	6.38	809	10/2034	121,935	123,810
CitiMortgage	Real estate	6.38	729	10/2034	109,859	111,549
CitiMortgage	Real estate	6.38	776	10/2034	116,955	118,753
CitiMortgage	Real estate	6.38	583	10/2034	87,822	89,172
CitiMortgage	Real estate	6.75	649	02/2036	96,150	97,397
CitiMortgage	Real estate	6.75	1,219	02/2036	180,762	183,106
Clearfield City/UARF Bonds	Real estate	7.45	3,900	02/2022	-	418,301
Salt Lake Country CRD	Real estate	0.00	370	03/2026	78,520	83,330
Washington Assc of Retarded Citizens	Real estate	5.00	926	06/2019	87,316	93,884
G.E. Money Bank FSB	Real estate	5.00	10,994/Qtr.	07/2023	440,000	-
G.E. Money Bank FSB	Real estate	5.00	5,272/Qtr.	07/2019	265,000	-
Utah Non-Profit Housing Corporation	Real estate	0.00	See below	10/2017	75,000	75,000
Utah Community Reinvestment Corp.	Real estate	7.04	See below	09/2035	161,389	162,000
TOTAL					3,346,451	3,146,294
Less current maturities					124,429	189,296
Long-term debt, less current maturities					<u>\$3,222,022</u>	<u>\$ 2,956,998</u>

TURN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

8. LONG-TERM DEBT (CONTINUED)

In February of 2007, the Organization entered into a note payable agreement with the Utah Community Reinvestment Corporation. In accordance with the agreement, interest only payments began in April of 2007. On March 1, 2022, the remaining principal balance, together with unpaid accrued interest, will be due and payable. The Organization is currently re-negotiating the payment terms of the note payable agreement.

In October of 2007, the Organization entered into a note payable agreement with Utah Nonprofit Housing Corporation. The note is a zero interest bearing note. No principal payments are due until the maturity of the note occurs on October 2, 2017, at which time the total outstanding principal balance is due.

In April of 2009, the Organization entered into a note payable agreement with the Olene Walker Housing Loan Fund (Division of Housing Community Development) to fund construction costs on the St. George, Utah facility. The note bears interest at 1.0%. No principal or interest payments are due until the note matures on December 31, 2009.

Aggregate maturities of long-term debt as of June 30, 2009 are summarized as follows:

<u>Year ended June 30,</u>	
2010	\$ 124,429
2011	107,280
2012	111,600
2013	116,284
2014	121,104
Thereafter	<u>2,765,754</u>
	<u>\$ 3,346,451</u>

9. NOTES PAYABLE TO BANKS

The Organization has a \$600,000 credit facility with Wells Fargo bank. The outstanding balance under the note totaled \$209,386 at June 30, 2009. The interest rate is calculated based on Prime plus 1.00%, which, as of June 30, 2009 was 3.75 percent. The credit facility expires December 2, 2009. Interest expense relating to the credit facility totaled \$8,117 and \$18,560 for the years ending June 30, 2009 and 2008, respectively.

TURN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

9. NOTES PAYABLE TO BANKS (CONTINUED)

On March 3, 2008, the Organization entered into a \$400,000 credit facility with the Utah Community Reinvestment Corporation. The outstanding balance under the note totaled \$107,884 at June 30, 2009. The interest rate is fixed at 5.32% through February 28, 2010. The interest rate will be reset and fixed from March 1, 2010 to February 28, 2012, and again from March 1, 2012 to March 1, 2014, based upon the sum of the weekly average yields of 2-year interest rate swaps (using LIBOR as the index) as published by the Federal Reserve Statistical Release H-15 Selected Interest Rates for the week completed immediately before the week in which March 1, 2010 and March 1, 2012 occurs, plus 250 basis points. Interest expense relating to the credit facility totaled \$8,724 and \$1,984 for the years ended June 30, 2009 and 2008, respectively.

10. CAPITAL LEASES

The Company has entered into various capital lease agreements expiring in 2013. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Amortization of the assets under capital leases is included in the depreciation expense for 2009 and 2008. The obligations under capital leases are secured by the vehicles with a net book value of \$136,064 and \$199,427 at June 30, 2009 and 2008, respectively.

Future minimum lease payments under capital leases for each of the next five years are as follows:

<u>Year ended June 30,</u>	
2010	\$ 91,124
2011	35,920
2012	16,556
2013	19,334
2014	<u>11,955</u>
	174,889
Less: imputed lease finance costs	<u>(17,259)</u>
Present value of minimum lease payments	157,630
Less: current maturities	<u>(82,100)</u>
Long-term portion	<u><u>\$ 75,530</u></u>

TURN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

11. OPERATING LEASES

In addition to the capital leases described above, the Company leases various facilities, vehicles, and equipment under agreements ranging in amount from \$221 to \$6,658 per month with various term lengths expiring June 2014.

Total rent expense, net of related sublease income, for such operating leases totaled approximately \$672,505 and \$613,393 for the years ended June 30, 2009 and 2008, respectively.

Future minimum lease payments required under noncancellable agreements for the next five years are as follows:

<u>Year ended June 30,</u>	
2010	\$ 468,378
2011	337,567
2012	171,303
2013	94,169
2014	<u>43,062</u>
	<u><u>\$ 1,114,479</u></u>

TURN COMMUNITY SERVICES, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2008

	TURN Community Services, Inc.	Tri Connections, Inc.	Combined
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 27,989	\$ 205,109	\$ 233,098
Accounts receivable	811,589	162,979	974,568
Marketable securities	131,540	-	131,540
Prepaid expenses and other assets	61,529	7,061	68,590
	<u>1,032,647</u>	<u>375,149</u>	<u>1,407,796</u>
Total current assets	1,032,647	375,149	1,407,796
Property and equipment, net	4,401,509	450,398	4,851,907
Deposits	11,833	5,023	16,856
Other assets	29,212	-	29,212
	<u>\$ 5,475,201</u>	<u>\$ 830,570</u>	<u>\$ 6,305,771</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes payable to banks	\$ 524,536	\$ -	\$ 524,536
Current maturities of long-term debt	174,296	15,000	189,296
Current maturities of capital leases	52,120	-	52,120
Accounts payable	78,827	1,564	80,391
Accrued interest	11,327	-	11,327
Accrued expenses	717,805	107,294	825,099
	<u>1,558,911</u>	<u>123,858</u>	<u>1,682,769</u>
Total current liabilities	1,558,911	123,858	1,682,769
Long-term debt, less current maturities	2,553,697	403,301	2,956,998
Capital leases, less current maturities	175,931	-	175,931
Net assets - unrestricted	1,186,662	303,411	1,490,073
	<u>\$ 5,475,201</u>	<u>\$ 830,570</u>	<u>\$ 6,305,771</u>

See accompanying financial statements and notes

TURN COMMUNITY SERVICES, INC.
COMBINING STATEMENT OF ACTIVITIES
June 30, 2008

	TURN Community Services, Inc.	Tri Connections, Inc.	Combined
REVENUES			
Public support and revenue:			
Contract revenue	\$ 10,266,534	\$ 1,680,129	\$ 11,946,663
Room and board	315,749	-	315,749
Private revenue	174,680	-	174,680
Public support	249,131	99,992	349,123
Client activities	67,810	-	67,810
Other income	4,476	-	4,476
United Way	81,372	-	81,372
Interest income	6,134	-	6,134
Total public support and revenue	<u>11,165,886</u>	<u>1,780,121</u>	<u>12,946,007</u>
EXPENSES			
Residential programs	6,744,035	1,458,320	8,202,355
Hourly services	1,921,618	-	1,921,618
Day training	2,400,393	-	2,400,393
Fundraising and other	36,747	-	36,747
Management and general	189,464	282,023	471,487
Total expenses	<u>11,292,257</u>	<u>1,740,343</u>	<u>13,032,600</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS			
	(126,371)	39,778	(86,593)
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR			
	<u>1,313,033</u>	<u>263,633</u>	<u>1,576,666</u>
UNRESTRICTED NET ASSETS AT END OF YEAR			
	<u>\$ 1,186,662</u>	<u>\$ 303,411</u>	<u>\$ 1,490,073</u>

See accompanying financial statements and notes

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*

To the Board of Trustees of
TURN Community Services, Inc.

We have audited the financial statements of TURN Community Services, Inc. (TURN) (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 23, 2009. 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 TURN'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 TURN's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the TURN'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 TURN'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 management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Camer Floerke + James, CPAs

September 23, 2009