

**TURN COMMUNITY SERVICES, INC.**

**FINANCIAL STATEMENTS  
with  
INDEPENDENT AUDITORS' REPORT**

**Years Ended June 30, 2010 and 2009**





CARVER  
FLOREK &  
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CERTIFIED PUBLIC ACCOUNTANTS

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## 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, 2010 and 2009, 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, 2010 and 2009, 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 30, 2010 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 30, 2010

**TURN COMMUNITY SERVICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 113,059	\$ 92,529
Accounts receivable	1,107,966	1,058,956
Marketable securities (note 5)	69,155	59,072
Prepaid expenses and other assets	28,002	151,209
Total current assets	1,318,182	1,361,766
Property and equipment, net (note 2)	5,249,914	5,106,340
Deposits	29,366	19,182
Other assets (note 3)	31,940	34,163
	<b>\$ 6,629,402</b>	<b>\$ 6,521,451</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Notes payable to banks (note 9)	\$ 274,588	\$ 317,270
Current maturities of long-term debt (note 8)	113,537	124,429
Current maturities of capital leases (note 10)	33,031	82,100
Accounts payable	66,872	101,291
Accrued interest	13,952	11,341
Accrued expenses	806,794	842,167
Total current liabilities	1,308,774	1,478,598
Long-term debt, less current maturities (note 8)	3,377,047	3,222,022
Capital leases, less current maturities (note 10)	45,854	75,530
Net assets - unrestricted	1,897,727	1,745,301
	<b>\$ 6,629,402</b>	<b>\$ 6,521,451</b>

See accompanying notes and auditors' report

**TURN COMMUNITY SERVICES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>REVENUES</b>		
Public support and revenue:		
Contract revenue	\$ 12,289,811	\$ 12,756,689
Room and board	418,874	336,572
Private revenue	216,846	180,941
Public support	325,848	253,993
Client activities	18,865	24,809
Other income	20,344	129,687
United Way	80,068	72,561
Interest income	66	169
Total public support and revenue	<u>13,370,722</u>	<u>13,755,421</u>
<b>EXPENSES</b>		
Residential programs	7,586,212	7,872,156
Day Training	3,532,515	3,406,333
Hourly services	1,865,059	2,007,187
Fundraising and other	85,003	69,736
Management and general	149,507	144,781
Total expenses	<u>13,218,296</u>	<u>13,500,193</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	152,426	255,228
<b>UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,745,301</u>	<u>1,490,073</u>
<b>UNRESTRICTED NET ASSETS AT END OF YEAR</b>	<u>\$ 1,897,727</u>	<u>\$ 1,745,301</u>

See accompanying notes and auditors' report

**TURN COMMUNITY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2010**

	<u>Residential Programs</u>	<u>Day Training</u>	<u>Hourly Services</u>
Salaries	\$ 5,377,379	\$ 2,133,855	\$ 1,321,640
Payroll taxes	452,722	179,891	111,017
Employee fringe benefits	659,944	262,311	160,261
Total salaries and benefits	6,490,045	2,576,057	1,592,918
Consultants/accounting	36,374	14,361	35,499
Office supplies	28,058	15,662	6,089
Food	35,894	-	-
Maintenance supplies	15,360	11,498	2,114
Program supplies	28,346	30,312	6,212
Rent	123,684	420,486	79,886
Utilities	72,013	58,429	5,627
Insurance	25,804	6,698	3,297
Repairs and maintenance	72,270	26,437	3,133
Depreciation	218,784	76,643	11,275
Other furniture and equipment	23,268	26,581	6,389
Auto expense	196,980	187,657	94,345
Telephone	47,929	27,047	10,710
License and permits	5,070	3,111	1,359
Other expense	24,426	17,243	3,673
Fundraising expense	-	-	-
Interest expense	141,907	34,293	2,533
Total expenses	<u>\$ 7,586,212</u>	<u>\$ 3,532,515</u>	<u>\$ 1,865,059</u>

See accompanying notes and auditors' report

**TURN COMMUNITY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2010**

	<u>Fundraising</u>	<u>Management and General</u>	<u>Company Total</u>
Salaries	\$ 52,950	\$ 97,400	\$ 8,983,224
Payroll taxes	4,453	8,191	756,274
Employee fringe benefits	6,486	11,932	1,100,934
<b>Total salaries and benefits</b>	<b>63,889</b>	<b>117,523</b>	<b>10,840,432</b>
Consultants/accounting	-	14,450	100,684
Office supplies	427	950	51,186
Food	-	-	35,894
Maintenance supplies	-	-	28,972
Program supplies	-	-	64,870
Rent	3,995	7,990	636,041
Utilities	-	-	136,069
Insurance	105	210	36,115
Repairs and maintenance	-	-	101,840
Depreciation	-	-	306,702
Other furniture and equipment	-	-	56,238
Auto expense	1,086	2,172	482,239
Telephone	1,851	3,701	91,238
License and permits	-	-	9,540
Other expense	8,048	2,511	55,901
Fundraising expense	5,602	-	5,602
Interest expense	-	-	178,733
<b>Total expenses</b>	<b>\$ 85,003</b>	<b>\$ 149,507</b>	<b>\$ 13,218,296</b>

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.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in unrestricted net assets	\$ 152,426	\$ 255,228
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	306,702	307,464
Unrealized (gain) loss on investments	(7,255)	4,457
Gain from sale of property and equipment	(1,174)	(134,709)
Changes in operating assets and liabilities:		
Accounts receivable	(49,010)	(84,388)
Prepaid expense, deposits and other assets	113,023	(84,945)
Accounts payable	(34,419)	15,415
Accrued expenses and interest	(32,762)	17,082
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>447,531</b>	<b>295,604</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(476,648)	(605,197)
Proceeds from sale of property and equipment	29,769	182,647
Purchase of available-for-sale investments	(2,828)	-
Sale of available-for-sale investments	-	68,011
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(449,707)</b>	<b>(354,539)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments of short-term debt	(42,682)	(207,266)
Proceeds from borrowing on long-term debt	250,569	732,553
Principal payments of long-term debt	(106,436)	(534,274)
Principal payments of capital leases	(78,745)	(70,421)
Loan costs	-	(2,226)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>22,706</b>	<b>(81,634)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>20,530</b>	<b>(140,569)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>92,529</b>	<b>233,098</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 113,059</b>	<b>\$ 92,529</b>

See accompanying notes and auditors' report

**TURN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2010 and 2009**

**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.

**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 Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, 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, 2010 and 2009.

**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, 2010 and 2009**

**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.

The Organization adopted ASC 820, *Fair Value Measurements and Disclosures*, which 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. ASC 820 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 92 percent and 93 percent of the Organization's source of revenues for the years ended June 30, 2010 and 2009, respectively.

**TURN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2010 and 2009**

**1. 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, 2010 and 2009.

**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.

**Subsequent Events**

Subsequent events have been evaluated through September 30, 2010, the issuance date of the financial statements, and there were no matters that materially affect the carrying amounts of the unrestricted net assets as of June 30, 2010.

**TURN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2010 and 2009**

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

**Recent Accounting Pronouncements**

In June 2009, the Financial Accounting Standards Board (FASB) issued a standard that established the FASB Accounting Standards Codification (ASC) and amended the hierarchy of generally accepted accounting principles (GAAP) such that the ASC became the single source of authoritative nongovernmental U.S. GAAP. The ASC did not change current U.S. GAAP, but was intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All previously existing accounting standard documents were superseded and all other accounting literature not included in the ASC is considered non-authoritative. New accounting standards issued subsequent to June 30, 2009 are communicated by the FASB through Accounting Standards Updates (ASUs). For the Company, the ASC was effective July 1, 2009. This standard did not have an impact on the Company's financial statements. However, financial statement references that were previously made to various former authoritative U.S. GAAP pronouncements have been changed to coincide with the appropriate section of the ASC.

In July 2009, the FASB issued ASC topic 105 (formerly SFAS No. 168, The Hierarchy of Generally Accepted Accounting Principles). ASC 105 contains guidance which reduces the U.S. GAAP hierarchy to two levels, one that is authoritative and one that is not. This pronouncement is effective September 15, 2009. The adoption of this pronouncement did not have an effect on the consolidated financial statements.

**2. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Land	\$ 1,091,042	\$ 1,091,042
Building	4,029,754	3,700,232
Building improvements	1,418,831	1,255,337
Furniture & equipment	535,963	554,004
Vehicles	646,731	730,817
	<u>7,722,321</u>	<u>7,331,432</u>
Accumulated depreciation	<u>(2,472,407)</u>	<u>(2,225,092)</u>
	<u>\$ 5,249,914</u>	<u>\$ 5,106,340</u>

**TURN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2010 and 2009**

**3. OTHER ASSETS**

Other assets at June 30, 2010 and 2009 consisted of the following:

	2010	2009
Mortgage issuance costs	\$ 39,736	\$ 39,736
Accumulated amortization	(7,796)	(5,573)
	\$ 31,940	\$ 34,163

**4. SUPPLEMENTAL CASH FLOW INFORMATION**

Cash paid for interest totaled \$176,123 and \$191,446 in 2010 and 2009, respectively.

**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, 2010 and 2009 are as follows:

	Cost	Fair Value	Unrealized Holding Gain
2010	\$ 66,357	\$ 69,155	\$ 2,798
2009	\$ 63,529	\$ 59,072	\$ (4,457)

**TURN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2010 and 2009**

**6. FAIR VALUE MEASUREMENTS**

Fair value of assets measured on a recurring basis at June 30, 2010 and 2009 are as follows:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<u>June 30, 2010</u>				
Corporate bonds	\$ 9,208	\$ -	\$ -	\$ 9,208
Mutual funds	59,947	-	-	59,947
Total investments, at fair value	\$ 69,155	\$ -	\$ -	\$ 69,155
 <u>June 30, 2009</u>				
Corporate bonds	\$ 6,173	\$ -	\$ -	\$ 6,173
Mutual funds	52,899	-	-	52,899
Total investments, at fair value	\$ 59,072	\$ -	\$ -	\$ 59,072

**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 2010 and 2009, the Organization contributed \$59,698 and \$57,800, to the 401(k) plan, respectively. There were no contributions to the deferred compensation plan in 2010. The Organization contributed \$6,813 to the deferred compensation plan in 2009.

**TURN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2010 and 2009**

**8. LONG-TERM DEBT**

Long-term debt consisted of the following at June 30, 2010 and 2009:

Lending Institution	Collateral	Interest Rate	Monthly Payment	Due Date	2010	2009
U.S. Department of Agriculture	Real estate	5.13	2,166	1/2025	\$ 265,636	\$ 277,789
U.S. Department of Agriculture	Real estate	5.13	464	11/2029	68,191	70,236
Morgan Stanley	Real estate	5.75	959	8/2033	147,420	150,371
Olene Walker Housing Loan Fund	Real estate	3.00	126	01/2033	24,847	25,607
Olene Walker Housing Loan Fund	Real estate	1.00	461	9/2033	110,438	114,851
Olene Walker Housing Loan Fund	Real estate	1.00	179	03/2034	45,371	47,104
Olene Walker Housing Loan Fund	Real estate	1.00	164	12/2034	42,885	44,417
Olene Walker Housing Loan Fund	Real estate	3.00	See below	05/2037	280,000	29,431
Olene Walker Housing Loan Fund	Real estate	0.00	209	07/2015	12,672	15,179
Olene Walker Housing Loan Fund	Real estate	0.00	507	02/2015	33,955	40,036
Olene Walker Housing Loan Fund	Real estate	0.00	194	06/2036	60,666	63,000
Olene Walker Housing Loan Fund	Real estate	0.00	208	01/2037	66,288	68,782
Olene Walker Housing Loan Fund	Real estate	0.00	425	09/2037	139,073	144,177
CitiMortgage	Real estate	6.38	566	10/2034	83,864	85,261
CitiMortgage	Real estate	6.38	518	10/2034	76,676	77,954
CitiMortgage	Real estate	6.38	800	10/2034	118,551	120,526
CitiMortgage	Real estate	6.38	1,003	10/2034	148,551	151,022
CitiMortgage	Real estate	6.38	809	10/2034	119,937	121,935
CitiMortgage	Real estate	6.38	729	10/2034	108,058	109,859
CitiMortgage	Real estate	6.38	776	10/2034	115,039	116,955
CitiMortgage	Real estate	6.38	583	10/2034	86,383	87,822
CitiMortgage	Real estate	6.75	649	02/2036	94,816	96,150
CitiMortgage	Real estate	6.75	1,219	02/2036	178,254	180,762
Salt Lake Country CRD	Real estate	0.00	370	03/2026	74,079	78,520
Washington Assc of Retarded Citizens	Real estate	5.00	926	06/2019	80,411	87,316
G.E. Money Bank FSB	Real estate	5.00	10,994/Qtr.	07/2023	417,569	440,000
G.E. Money Bank FSB	Real estate	5.00	5,272/Qtr.	07/2019	257,055	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	1,460	09/2035	158,899	161,389
TOTAL					3,490,584	3,346,451
Less: current maturities					(113,537)	(124,429)
Long-term debt, less current maturities					<u>\$3,377,047</u>	<u>\$3,222,022</u>

**TURN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2010 and 2009**

**8. LONG-TERM DEBT (CONTINUED)**

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 May of 2010, 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 no interest until May 2022. Principal and interest payments commence on May 31, 2022, at which time the note will begin to accrue interest at 3.0%.

Aggregate maturities of long-term debt as of June 30, 2010 are summarized as follows:

<u>Year ended June 30,</u>	
2011	\$ 113,537
2012	118,979
2013	124,061
2014	129,434
2015	135,343
Thereafter	<u>2,869,230</u>
	<u><u>\$ 3,490,584</u></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 \$172,704 at June 30, 2010. The interest rate is calculated based on Prime plus 1.00%, which, as of June 30, 2010 was 5.0 percent. The credit facility expires January 2, 2011. Interest expense relating to the credit facility totaled \$6,135 and \$8,117 for the years ending June 30, 2010 and 2009, respectively.

**TURN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2010 and 2009**

**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 \$101,884 at June 30, 2010. The interest rate is fixed at 5.32% through February 28, 2012. The interest rate will be reset 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, 2012 occurs, plus 250 basis points. Interest expense relating to the credit facility totaled \$5,605 and \$8,724 for the years ended June 30, 2010 and 2009, respectively.

**10. CAPITAL LEASES**

The Company has entered into various capital lease agreements expiring in 2014. 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 2010 and 2009. The obligations under capital leases are secured by the vehicles with a net book value of \$41,762 and \$136,064 at June 30, 2010 and 2009, respectively.

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

<u>Year ended June 30,</u>	
2011	\$ 40,307
2012	17,412
2013	19,334
2014	<u>11,956</u>
	89,009
Less: imputed lease finance costs	<u>(10,124)</u>
Present value of minimum lease payments	78,885
Less: current maturities	<u>(33,031)</u>
Capital leases, less current maturities	<u>\$ 45,854</u>

**TURN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2010 and 2009**

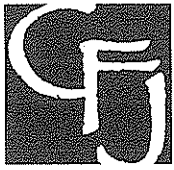
**11. OPERATING LEASES**

In addition to the capital leases described above, the Company leases various facilities, vehicles, and equipment under operating lease agreements ranging in amount from \$180 to \$6,658 per month with various term lengths expiring June 2014.

Total rent expense, net of related sublease income, for such leases totaled approximately \$722,837 and \$672,505 for the years ended June 30, 2010 and 2009, respectively.

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

<u>Year ended June 30,</u>	
2011	\$ 691,540
2012	532,391
2013	458,206
2014	401,088
2015	<u>359,171</u>
	<u>\$ 2,442,396</u>



CARVER  
FLOREK &  
JAMES, CPA's

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2010, and have issued our report thereon dated September 30, 2010. 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a misstatement of the entity's financial statements will not be prevented and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

*Cameron Floerke + James, CPAs*

September 30, 2010