PARK CENTER AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013

PARK CENTER AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Park Center and affiliate
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Park Center (a nonprofit organization) and affiliate, which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Park Center and affiliate as of June 30, 2013, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 18 through 19 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2013, on our consideration of Park Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Park Center's internal control over financial reporting and compliance.

Frasier, Dean & Howard, PLLC

Nashville, Tennessee
September 19, 2013

PARK CENTER AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2013

Assets

Current assets:	
Cash and cash equivalents	$ 2,207,155
Accounts receivable	176,532
Grants receivable	140,856
Prepaid expenses	13,526
Total current assets	2,538,069
Investments	432,264
Property and equipment, net	6,261,619
Total assets	$ 9,231,952

Liabilities and Net Assets

Current liabilities:	
Accounts payable and accrued expenses	$ 277,277
Current portion of long-term debt	40,330
Total current liabilities	317,607
Long-term debt, net of current portion	399,130
Total liabilities	716,737
Net assets:	
Unrestricted:	
Undesignated	5,179,163
Board designated	819,843
Total unrestricted	5,999,006
Temporarily restricted	2,516,209
Total net assets	8,515,215
Total liabilities and net assets	$ 9,231,952

See accompanying notes.

PARK CENTER AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Public support and revenues:			
Public support:			
Grants and contracts	$ 3,885,667	$ 100,000	$ 3,985,667
Contributions	332,585	90,085	422,670
Total public support	4,218,252	190,085	4,408,337
Revenues:			
Rental income	512,386	-	512,386
Food service fees	17,831	-	17,831
Investment and interest income, net	48,576	-	48,576
Other	8,081	-	8,081
Net assets released from restrictions	207,874	(207,874)	-
Total revenues	794,748	(207,874)	586,874
Total public support and revenues	5,013,000	(17,789)	4,995,211
Expenses:			
Program services	3,803,763	-	3,803,763
Supporting services:			
Management and general	899,644	-	899,644
Fundraising	139,708	-	139,708
Total supporting services	1,039,352	-	1,039,352
Total expenses	4,843,115	-	4,843,115
Change in net assets	169,885	(17,789)	152,096
Net assets - beginning of year	5,829,121	2,533,998	8,363,119
Net assets - end of year	$ 5,999,006	$ 2,516,209	$ 8,515,215

See accompanying notes.

PARK CENTER AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2013

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
Personnel services	$ 2,071,404	$ 495,571	$ 83,330	$ 2,650,305
Fringe benefits	235,706	70,086	9,363	315,155
Payroll taxes	154,482	36,930	5,832	197,244
Total personnel costs	2,461,592	602,587	98,525	3,162,704
Rental and maintenance	225,985	56,509	4,464	286,958
Utilities	212,610	468	-	213,078
Food and beverage	137,056	2,528	9,501	149,085
Insurance	46,663	66,448	-	113,111
Contract services	52,184	52,157	1,944	106,285
Professional fees	23,333	59,807	9,289	92,429
Rent	59,450	-	2,000	61,450
Telephone	49,134	8,508	521	58,163
Vehicle expense	42,284	32	-	42,316
Miscellaneous	6,860	25,258	4,100	36,218
Member expenses	34,431	59	-	34,490
Certifications and accreditations	18,845	11,731	300	30,876
Program services	27,668	5	-	27,673
Office supplies	17,595	5,098	477	23,170
Janitorial supplies	21,938	-	-	21,938
Taxes and licenses	20,794	45	300	21,139
Travel	15,620	2,041	288	17,949
Interest	14,848	-	-	14,848
Conferences and meetings	11,594	1,949	-	13,543
Small equipment purchases	10,771	30	-	10,801
Printing and publications	1,095	1,897	6,680	9,672
Postage and shipping	541	2,368	1,319	4,228
Medical supplies	393	119	-	512
Total expense before depreciation	3,513,284	899,644	139,708	4,552,636
Depreciation	290,479	-	-	290,479
Total expenses	$ 3,803,763	$ 899,644	$ 139,708	$ 4,843,115

See accompanying notes.

PARK CENTER AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2013

Cash flows from operating activities:	
Change in net assets	$ 152,096
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	290,479
Net realized and unrealized gain on investment	(42,762)
Changes in operating assets and liabilities:	
Accounts receivable	19,615
Grants receivable	169,059
Prepaid expenses	1,582
Accounts payable and accrued expenses	63,159
Net cash provided by operating activities	653,228
Cash flows from investing activities:	
Proceeds from sale of investments	160,441
Purchases of investments	(164,437)
Purchases of property and equipment	(81,573)
Net cash used in investing activities	(85,569)
Cash flows from financing activities:	
Payments on long-term debt	(38,993)
Net cash used in financing activities	(38,993)
Net increase in cash and cash equivalents	528,666
Cash and cash equivalents - beginning of year	1,678,489
Cash and cash equivalents - end of year	$ 2,207,155
Supplemental disclosure:	
Interest paid	$ 14,848

See accompanying notes.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

General

Park Center is a nonprofit organization that provides psychosocial and vocational rehabilitation services and housing to emotionally and mentally ill individuals in Davidson County, Tennessee. Park Center offers food service, clerical, environmental, and vocational rehabilitation and operates a continuous mental health facility. Additionally, Park Center offers housing and housing support programs at several locations. Park Center's major sources of revenue are government grants and contracts with behavioral health organizations.

Park Center sponsored the establishment of Haley's Park, Inc. ("Haley's Park"), a separate nonprofit corporation, that was established in order to construct a facility to provide chronically mentally ill persons with housing and other services under guidelines of the U.S. Department of Housing and Urban Development ("HUD"), Section 811. The facility was completed in 2008 and includes 14 one-bedroom units, one two-bedroom unit for a resident counselor as well as office space. Haley's Park is operated under Section 202 of the National Housing Act and regulated by HUD with respect to rental charges and operating methods. Park Center provides management services for Haley's Park and Park Center's board of directors maintains the ability to approve the directors of Haley's Park.

Principles of Consolidation

The consolidated financial statements include the accounts of Park Center and its affiliated organization, Haley's Park (collectively, the "Center"). All significant inter-entity transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Financial statement presentation is in accordance with standards of accounting and financial reporting prescribed for nonprofit organizations within the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"). Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Unrestricted Net Assets

Undesignated – net assets that are not subject to donor-imposed stipulations.

Designated – net assets designated by the Center's board of directors for particular purposes, presently designated by the board for long term investment and the benefits of certain programs.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Center considers all highly liquid investments available for current use with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Client service revenue is reported at the estimated net realizable value from third-party payers in the period services are rendered. Management provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the collectability of accounts receivable. Based on collection experience and management's review, no allowance for doubtful accounts is considered necessary at June 30, 2013.

Investments

The Center accounts for investments in accordance with accounting principles generally accepted in the United States of America. Under this guidance, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities as unrestricted revenues or expenses, unless specified by the donor.

Fair Values

The Center has an established process for determining fair values in accordance with FASB ASC guidance. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Center believes its valuation methods are appropriate and consistent with

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values (Continued)

other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. GAAP has a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

> *Level 1* **–** inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
>
> *Level 2* **–** inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
>
> *Level 3* **–** inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

Donated Services

Amounts are reported in the consolidated financial statements for voluntary donations of services only when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills which would typically be purchased if not provided by donation. Volunteers donate significant amounts of their time in the Center's program services and its fund-raising efforts that have not been reported in the accompanying financial statements because the services do not create or enhance non-financial assets and no objective basis is available to measure the value of such donations.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Salaries and related expenses are allocated to the various program and supporting services based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Center.

Estimates

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

Endowment Funds

The Center accounts for endowment funds in accordance with GAAP. This guidance indicates that a nonprofit organization should classify the portion of a donor-restricted endowment fund that is not permanently restricted by the donor or by law as temporarily restricted net assets (time restricted) until it is appropriated for expenditure and donor-imposed purpose restrictions, if any, are met. When the purpose restrictions, if any, on the portion of donor-restricted endowment funds are met and the appropriation has occurred, temporarily restricted net assets are reclassified to unrestricted net assets. The guidance also requires additional disclosures applicable to all nonprofit organizations. Those disclosures provide: a) a description of the organization's policies for making appropriations for expenditures from endowment funds (i.e. the organization's endowment spending policies), b) a description of the organization's investment policies for endowment funds, c) a description of the organization's endowment by net asset class at the end of the period in total and by type of endowment fund, d) a reconciliation of the beginning and ending balances of endowment funds in total and by net asset class, and e) a description of the organization's interpretation of the laws underlying the net asset classification of donor-restricted endowment funds.

Income Taxes

Park Center and Haley's Park are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and are not private foundations as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying consolidated financial statements.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Center follows FASB ASC guidance concerning the accounting for income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit (liability) to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Center does not believe there are any uncertain tax positions at June 30, 2013. Additionally, the Center has not recognized any tax related interest and penalties in the accompanying consolidated financial statements. Federal tax years that remain open for examination include the years ended June 30, 2010 through June 30, 2013.

Subsequent Events

The Center evaluated subsequent events through September 19, 2013 when these consolidated financial statements were available to be issued. Management of the Center is not aware of any significant events that occurred subsequent to the consolidated statement of financial position date but prior to the filing of this report that would have a material impact on the consolidated financial statements.

NOTE 2 – INVESTMENTS

Investments are stated at fair value with fair value determined based on active markets (Level 1) and consist of the following at June 30, 2013:

Short-term investments	$ 63,894
Bond mutual funds:	
Large value funds	39,140
Bank loan funds	16,859
Large growth funds	27,885
Foreign large blend funds	34,553
Mid-cap blend funds	21,976
Intermediate term bond funds	49,297
Small blend funds	23,342
Large blend funds	79,262
Real estate funds	24,692
Diversified emerging markets funds	4,685
Inflation protected bond funds	8,678

NOTE 2 – INVESTMENTS (Continued)

Stock ETF funds:	
High yield bond funds	14,334
World bond funds	6,908
Common stocks:	
Mortgage investment	7,401
Home furnishings and fixtures	7,741
REIT – healthcare facilities	1,617
	$ 432,264

The following schedule summarizes the investment income in the consolidated statement of activities for the year ended June 30, 2013:

Interest and dividend income (including interest on cash and cash equivalents)	$ 5,814
Net unrealized and realized gain on investments	42,762
	$ 48,576

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost at the date of purchase or fair market value at date of gift. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets (ranging from three to forty years) on a straight-line basis. The Center generally capitalizes an asset if its life is estimated to be one year or greater and the cost is $1,000 or greater.

The balances of the major classes of property and equipment are as follows at June 30, 2013:

Land and land improvements	$ 598,360
Buildings and building improvements	7,802,527
Equipment and furniture	80,666
Vehicles	84,149
	8,565,702
Less: accumulated depreciation	(2,304,083)
	$ 6,261,619

The Haley's Park buildings and improvements are located on five acres of land leased by Park Center from the State of Tennessee through the year 2078. Park Center does not charge rent to Haley's Park.

NOTE 3 – PROPERTY AND EQUIPMENT (Continued)

In January 1989, the Center entered into an agreement with the Metropolitan Development and Housing Agency, the Tennessee Department of Mental Health and Substance Abuse Services, the Tennessee Department of Human Services, and the U.S. Department of Housing and Urban Development, whereby funds were made available to the Center by those governmental agencies to purchase and renovate four houses to be used by the Center to provide housing for the homeless mentally ill. Under the agreement, the Center is committed to operate the housing program for twenty to thirty years or be liable for repaying the prorated amounts of the original funds to the governmental agencies which provided them. Management currently plans to operate the program for the specified terms of the agreement.

In August 2007, the Center entered into an agreement with the Tennessee Housing Development Agency to purchase two properties for the Center to use to house mentally ill individuals. Under the agreement, the Center is committed to operate the housing program for five years. Management currently plans to operate the program for the specified terms of the agreement.

In April 2010, the Center entered into an agreement with the Metropolitan Development and Housing Agency to purchase two properties for the Center to use to house mentally ill individuals. Under the agreement, the Center is committed to operate the housing program for twenty years. A similar arrangement was entered into during 2011 under which the Center is committed to operate the housing program for ten years. Management currently plans to operate the programs for the specified terms of the agreements.

In October 2011, the Center entered into an agreement with the Tennessee Housing Development Agency to rehabilitate an apartment complex maintained by the Center. Under the agreement, the Center is committed to operate the housing program for five years after the property is first available for occupancy. Management currently plans to operate the program for the specified terms of the agreement.

The net asset value of the buildings, building improvements, and land acquired under these agreements in the amount of $866,719 at June 30, 2013, is included as temporarily restricted net assets.

NOTE 4 – ACCRUED EXPENSES

Employees of the Center are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation, but not for accumulated sick leave. Accordingly, vacation pay is accrued and recognized as an expense in the period earned by employees. Accrued vacation pay included in accrued expenses was $103,936 at June 30, 2013.

NOTE 5 – SHORT-TERM FINANCING ARRANGEMENTS

The Center maintained a revolving line of credit in the amount of $475,000 from a financial institution. Amounts drawn on the line of credit are due on demand and bear interest at the prime rate. This arrangement is secured by the Center's deposits with the financial institution, accounts receivable, and property and equipment. This arrangement matured in September 2012 and was re-established under substantially the same terms with a maturity date of September 19, 2013. There were no borrowings outstanding under this arrangement at June 30, 2013. Subsequent to year end, the maturity date was extended through December 19, 2013.

NOTE 6 – LONG-TERM DEBT

Long-term debt is as follows at June 30, 2013:

Mortgage note payable to a financial institution in monthly principal and interest installments of $1,221, secured by building and land on Woodland Street, interest at prime minus 2% (1.25% at June 30, 2013), maturing December 2014.	$ 156,673
Mortgage note payable to an organization in monthly principal and interest installments of $1,960, secured by land, interest at 4.0%, maturing April 2015.	122,118
Mortgage note payable to an organization in monthly principal and interest installments of $1,320, secured by land, interest at 5.0%, maturing September 2012, at which time the mortgage note payable was amended extending the maturity until September 2017. Additionally, the interest rate was reduced to 4%.	160,669
	439,460
Less amount shown as current portion	(40,330)
Long-term debt, non-current portion	$ 399,130

Annual principal maturities of the above obligations are as follows:

Year Ending June 30,	
2014	$ 40,330
2015	256,013
2016	9,310
2017	9,690
2018	124,117
Thereafter	-
	$ 439,460

NOTE 7 – CAPITAL ADVANCE

Haley's Park received a capital advance from HUD in order to fund the construction of the multifamily housing apartments in the amount of $1,568,200. Haley's Park is not required to make repayments of this capital advance so long as the housing remains available for very low-income persons with disabilities. The capital advance bears no interest. However, failure of Haley's Park to keep the facility available for disabled persons would result in HUD's billing Haley's Park for the entire capital advance outstanding plus interest since the date of the first advance. Haley's Park recorded the advance as a temporarily restricted contribution. The restriction will not be released prior to the maturity of the capital advance mortgage note agreement.

NOTE 8 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2013:

Housing for individuals with disabilities – Haley's Park	$ 1,568,200
Property for housing program	866,719
Contributions restricted for infrastructure improvements	47,696
Contributions restricted for programs	21,467
Contributions restricted for center renovation	12,127
	$ 2,516,209

Designated net assets of the Center are available for the following purposes at June 30, 2013:

Clubhouse	$ 155,213
Housing	232,366
Future needs	70,178
Board designated endowment	362,086
	$ 819,843

NOTE 9 – BOARD DESIGNATED ENDOWMENT FUND

As required by GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions. The Uniform Prudent Management Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The board of directors has interpreted the UPMIFA as requiring that the Center classify as permanently restricted net assets a) the original value of donor-restricted gifts to the permanent endowment, b) the original value of subsequent donor-restricted gifts to the permanent endowment, and c) accumulations (interest, dividends, capital gain/loss) to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently

NOTE 9 – BOARD DESIGNATED ENDOWMENT FUND (Continued)

restricted net assets is classified as temporarily restricted net assets until those amounts are approved for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA. The Center had no donor-restricted gifts to a permanent endowment at June 30, 2013. The board, however, has designated certain assets to serve as an endowment.

Endowment Net Asset Composition by Type of Fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	$ 362,086	$ -	$ -	$ 362,086

Changes in Endowment Net Assets for the fiscal year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 320,160	$ -	$ -	$ 320,160
Investment return:				
Net appreciation (realized and unrealized)	41,926	-	-	41,926
Endowment net assets, end of year	$ 362,086	$ -	$ -	$ 362,086

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Any expenditures from board designated endowment assets require board approval.

NOTE 10 – PENSION PLAN

The Center has a non-contributory pension and retirement plan covering substantially all of its employees. The plan is a tax-deferred annuity plan with its participants owning all amounts held in their individual accounts. Pension expense for the year ended June 30, 2013 was $88,532.

NOTE 11 – CONCENTRATIONS OF CREDIT RISK

The Center receives a substantial amount of its support from government grants and contracts. In the event of a significant reduction in the level of this support, the Center's programs and activities could be adversely affected.

The Center maintains its cash and cash equivalents in financial institutions at balances which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. In management's opinion, risk relating to these deposits is minimal based on the credit ratings of its depositories.

SUPPLEMENTARY INFORMATION

PARK CENTER AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2013

	Park Center	Haley's Park	Consolidating Entries	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	$ 2,157,177	$ 49,978	$ -	$ 2,207,155
Accounts receivable, net	201,213	2,103	(26,784)	176,532
Grants receivable	140,856	-	-	140,856
Prepaid expenses	13,526	-	-	13,526
Total current assets	2,512,772	52,081	(26,784)	2,538,069
Investments	432,264	-	-	432,264
Property and equipment, net	4,807,533	1,454,086	-	6,261,619
Total assets	$ 7,752,569	$ 1,506,167	$ (26,784)	$ 9,231,952
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	$ 258,994	$ 45,067	$ (26,784)	$ 277,277
Current portion of long-term debt	40,330	-	-	40,330
Total current liabilities	299,324	45,067	(26,784)	317,607
Long-term debt, net of current portion	399,130	-	-	399,130
Total liabilities	698,454	45,067	(26,784)	716,737
Net assets:				
Unrestricted:				
Undesignated	5,286,263	(107,100)	-	5,179,163
Board designated	819,843	-	-	819,843
Total unrestricted	6,106,106	(107,100)	-	5,999,006
Temporarily restricted	948,009	1,568,200	-	2,516,209
Total net assets	7,054,115	1,461,100	-	8,515,215
Total liabilities and net assets	$ 7,752,569	$ 1,506,167	$ (26,784)	$ 9,231,952

See accompanying notes.

PARK CENTER AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended June 30, 2013

	Park Center	Haley's Park	Consolidating Entries	Consolidated
Public support and revenues:				
Public support:				
Grants and contracts	$ 3,960,340	$ 25,327	$ -	$ 3,985,667
Contributions	422,670	-	-	422,670
Total public support	4,383,010	25,327	-	4,408,337
Revenues:				
Rental income	480,728	31,658	-	512,386
Food service fees	17,831	-	-	17,831
Investment and interest loss, net	48,566	10	-	48,576
Other	8,081	-	-	8,081
Total revenues	555,206	31,668	-	586,874
Total public support and revenues	4,938,216	56,995	-	4,995,211
Expenses:				
Program services	3,700,403	103,360	-	3,803,763
Supporting services:				
Management and general	878,316	21,328	-	899,644
Fundraising	139,708	-	-	139,708
Total supporting services	1,018,024	21,328	-	1,039,352
Total expenses	4,718,427	124,688	-	4,843,115
Change in net assets	219,789	(67,693)	-	152,096
Net assets - beginning of year	6,834,326	1,528,793	-	8,363,119
Net assets - end of year	$ 7,054,115	$ 1,461,100	$ -	$ 8,515,215

See accompanying notes.

PARK CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2013

	CFDA No.	Pass through Grantor's Number	Balance Receivable June 30, 2012	Receipts	Expenditures	Balance Receivable June 30, 2013
Federal Awards:						
U.S. Department of Health & Human Services,						
Substance Abuse & Mental Health Services Administration	93.243	N/A	$ 37,076	$ 37,076	$ -	$ -
Substance Abuse & Mental Health Services Administration	93.243	N/A	-	107,633	107,633	-
Total Program 93.243			37,076	144,709	107,633	-
U.S. Department of Homeland Security						
Emergency Food and Shelter Program	97.024	N/A	-	6,000	6,000	-
U.S. Department of Housing and Urban Development, passed through Metropolitatn Development and Housing , Agency of Nashville and Davidson Couunty, Tennessee						
Emergency Shelter Program	14.231	N/A	-	29,297	30,000	703
U.S. Department of Housing and Urban Development, passed through State of Tennessee, Tennessee Housing Development Agency						
Emergency Shelter Program	14.231	ESG-12-36	-	923	2,881	1,958
Total Program 14.231			-	30,220	32,881	2,661
U.S. Department of Education, passed through State of Tennessee, Department of Human Services						
Rehabilitation Services - Vocational	84.126	GR-10-28630-03	-	13,184	13,184	-
U.S. Department of Health & Human Services, passed through State of Tenneessee, Department of Mental Health and Substance Abuse Services						
Block Grants for Community Mental Health Services						
Community Targeted Transitional Support	93.958	GR-13-39460	-	25,669	30,000	4,331
Community Targeted Transitional Support	93.958	GR-12-35556	2,207	2,207	-	-
Assisted Living Permanent Supported Housing	93.958	GR-12-36054	1,094	1,094	-	-
Total Program 93.958			3,301	28,970	30,000	4,331

PARK CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (Continued)
For the year ended June 30, 2013

	CFDA No.	Pass through Grantor's Number	Balance Receivable June 30, 2012	Receipts	Expenditures	Balance Receivable June 30, 2013
Federal Awards (Continued):						
U.S. Department of Health & Human Services, passed through State of Tenneessee, Department of Mental Health and Substance Abuse Services (continued)						
Adult Continuum of Care	93.959	GR-13-38662	-	14,113	14,875	762
U.S. Department of Housing and Urban Development						
Supportive Housing Program	14.235	N/A	2,157	2,157	-	-
Supportive Housing Program	14.235	N/A	-	112,395	124,080	11,685
Total Program 14.235			2,157	114,552	124,080	11,685
Total Federal Awards			**42,534**	**351,748**	**328,653**	**19,439**
State Awards:						
State of Tennessee, Department of Mental Health and Substance Abuse Services						
Consumer Housing Specialist	N/A	GR-12-35897	10,791	10,791	-	-
Consumer Housing Specialist	N/A	GR-13-39463	-	46,846	59,366	12,520
Community Supportive Housing	N/A	GR-12-36050	49,480	49,480	-	-
Community Supportive Housing	N/A	GR-13-39517	-	462,510	473,575	11,065
Regional Housing Facilitator	N/A	GR-12-36055	7,418	7,418	-	-
Regional Housing Facilitator	N/A	GR-13-39462	-	78,691	87,586	8,895
Transitional Youth Services	N/A	GR-12-36056	61,177	61,177	-	-
Emgering Adult Services	N/A	GR-13-39455	-	544,928	598,000	53,072
Behavioral Health Safety Net Program	N/A	GR-12-35901-01	8,201	9,324	1,123	-
Total State Awards			**137,067**	**1,271,165**	**1,219,650**	**85,552**
Total Federal and State Awards			**$ 179,601**	**$ 1,622,913**	**$ 1,548,303**	**$ 104,991**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANC

Note 1 - Basis of Presentation - The Supplemental Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of Park Center under programs of the federal and state governments for the year ended June 30, 2013. Programs of Haley's Park, Inc. are excluded from this schedule. The schedule is presented using the accrual basis of accounting.

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INDEPENDENT AUDITOR'S 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
Park Center and Affiliate

We have audited, in accordance with the 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, the consolidated financial statements of Park Center and affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Park Center and affiliate's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Park Center and affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Park Center and affiliate's consolidated financial statements are free from 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 consolidated 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fraser, Dorn & Howard, PLLC

Nashville, Tennessee
September 19, 2013