

PARK CENTER
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2010

PARK CENTER
TABLE OF CONTENTS

Independent Auditor's Report	1 – 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 16
Supplemental Information:	
Schedule of Expenditures of Federal Awards and State Financial Assistance	17 – 18
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 – 20
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	21 – 22
Schedule of Findings and Questioned Costs	23 – 25
Summary Schedule of Prior Year Audit Findings	26
Corrective Action Plan	27 – 28



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7094

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Park Center
Nashville, Tennessee

We have audited the accompanying statement of financial position of Park Center (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year 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 audit.

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

The accompanying financial statements do not include the accounts and balances related to Haley's Park, Inc. ("Haley's Park") and Park Center Housing Development Corporation ("Park Center Housing"). Haley's Park and Park Center Housing are affiliated by common control. In our opinion, accounting principles generally accepted in the United States of America require Haley's Park and Park Center Housing to be consolidated with the Organization. Consolidation of Haley's Park and Park Center Housing would increase assets and net assets by approximately \$1,629,000 as of June 30, 2010. There would be approximately a \$200 impact on the change in net assets for the year ended June 30, 2010.

In our opinion, except for the effects of not consolidating Haley's Park and Park Center Housing, the financial statements referred to above present fairly, in all material respects, the financial position of Park Center as of June 30, 2010, and the change in its net assets and its cash flows for the year 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 October 20, 2010 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 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 taken as a whole.

Frasier Dem + Hunt PLLC

October 20, 2010

PARK CENTER
STATEMENT OF FINANCIAL POSITION
June 30, 2010

Assets

Current assets:	
Cash and cash equivalents	\$ 1,373,325
Investments	354,057
Accounts receivable, net	167,676
Grants receivable	358,448
Prepaid expenses	<u>16,041</u>
Total current assets	2,269,547
Property and equipment, net	<u>4,786,211</u>
Total assets	<u><u>\$ 7,055,758</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable and accrued expenses	\$ 333,449
Deferred revenue	100,000
Current portion of long-term debt	<u>35,966</u>
Total current liabilities	469,415
Long-term debt, less current portion	<u>515,578</u>
Total liabilities	<u>984,993</u>
Net assets:	
Unrestricted:	
Undesignated	4,720,475
Board designated	<u>741,636</u>
Total unrestricted	5,462,111
Temporarily restricted	<u>608,654</u>
Total net assets	<u>6,070,765</u>
Total liabilities and net assets	<u><u>\$ 7,055,758</u></u>

See accompanying notes.

PARK CENTER
STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues:			
Public support:			
Grants and contracts	\$ 4,295,289	\$ -	\$ 4,295,289
Contributions	<u>205,130</u>	<u>133,900</u>	<u>339,030</u>
Total public support	<u>4,500,419</u>	<u>133,900</u>	<u>4,634,319</u>
Revenues:			
Rental income	419,258	-	419,258
Food service fees	13,801	-	13,801
Other	7,755	-	7,755
Investment and interest income	44,103	-	44,103
Net assets released from restrictions	<u>161,594</u>	<u>(161,594)</u>	<u>-</u>
Total revenues	<u>646,511</u>	<u>(161,594)</u>	<u>484,917</u>
Total public support and revenues	<u>5,146,930</u>	<u>(27,694)</u>	<u>5,119,236</u>
Expenses:			
Program services	<u>4,145,854</u>	<u>-</u>	<u>4,145,854</u>
Supporting services:			
Management and general	846,445	-	846,445
Fundraising	<u>135,528</u>	<u>-</u>	<u>135,528</u>
Total supporting services	<u>981,973</u>	<u>-</u>	<u>981,973</u>
Total expenses	<u>5,127,827</u>	<u>-</u>	<u>5,127,827</u>
Change in net assets	19,103	(27,694)	(8,591)
Net assets - beginning of year	<u>5,443,008</u>	<u>636,348</u>	<u>6,079,356</u>
Net assets - end of year	<u><u>\$ 5,462,111</u></u>	<u><u>\$ 608,654</u></u>	<u><u>\$ 6,070,765</u></u>

See accompanying notes.

PARK CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2010

		<u>Supporting Services</u>		
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Services</u>	<u>and</u>		<u>Expenses</u>
		<u>General</u>		
Personnel services	\$ 2,398,072	\$ 462,490	\$ 73,602	\$ 2,934,164
Fringe benefits	281,760	58,136	10,552	350,448
Payroll taxes	178,168	36,196	4,462	218,826
 Total personnel costs	 2,858,000	 556,822	 88,616	 3,503,438
 Contract services	 163,077	 118,865	 2,527	 284,469
Utilities	167,706	18,387	-	186,093
Rental and maintenance	166,669	13,900	1,834	182,403
Food and beverage	122,367	1,469	8,076	131,912
Professional fees	37,234	49,449	10,283	96,966
Insurance	32,244	53,812	-	86,056
Telephone	70,298	4,504	4,585	79,387
Program services	76,655	-	1,156	77,811
Rent	58,806	-	-	58,806
Travel	49,580	1,623	4,259	55,462
Member expenses	24,548	-	5,792	30,340
Janitorial supplies	28,858	-	-	28,858
Office supplies	19,041	5,847	341	25,229
Certifications and accreditations	14,033	4,628	750	19,411
Interest	17,916	-	-	17,916
Vehicle expense	17,027	-	-	17,027
Printing and publications	7,528	2,259	5,371	15,158
Conferences and meetings	11,597	2,742	246	14,585
Miscellaneous	4,712	7,926	754	13,392
Small equipment purchases	7,178	993	-	8,171
Taxes and licenses	4,291	557	14	4,862
Postage and shipping	625	1,453	787	2,865
Fundraising - special events	1,169	1,209	-	2,378
Medical supplies	1,587	-	-	1,587
 Total expense before depreciation	 3,962,746	 846,445	 135,391	 4,944,582
Depreciation	183,108	-	137	183,245
 Total expenses	 <u>\$ 4,145,854</u>	 <u>\$ 846,445</u>	 <u>\$ 135,528</u>	 <u>\$ 5,127,827</u>

See accompanying notes.

PARK CENTER
STATEMENT OF CASH FLOWS
For the year ended June 30, 2010

Cash flows from operating activities:	
Change in net assets	\$ (8,591)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	183,245
Contributed property and equipment	(133,900)
Realized and unrealized gain on investment	(34,436)
Changes in operating assets and liabilities:	
Accounts receivable	258,172
Prepaid expenses	(11,909)
Accounts payable and accrued expenses	29,465
Deferred revenue	<u>(125,000)</u>
Net cash provided by operating activities	<u>157,046</u>
Cash flows from investing activities:	
Purchase of investments	(169,494)
Sale of investments	169,632
Purchase of property and equipment	<u>(497,391)</u>
Net cash used in investing activities	<u>(497,253)</u>
Cash flows from financing activities:	
Payments on long-term debt	(28,768)
Borrowings on long-term debt	<u>200,000</u>
Net cash provided by financing activities	<u>171,232</u>
Net decrease in cash and cash equivalents	(168,975)
Cash and cash equivalents - beginning of year	<u>1,542,300</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,373,325</u></u>
Supplemental disclosure:	
Interest paid	<u><u>\$ 17,916</u></u>
Noncash investing and financing activities:	
Contribution of property and equipment	<u><u>\$ 133,900</u></u>

See accompanying notes.

PARK CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

General

Park Center (the “Center”) is a not-for-profit organization that provides psychosocial and vocational rehabilitation services and housing to emotionally and mentally ill individuals in Davidson County, Tennessee. The Center offers food service, clerical, environmental, and vocational rehabilitation and operates a continuous mental health facility. Additionally, the Center offers housing and housing support programs at several locations.

Accounting Standards Codification

The Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) became the sole authoritative source of generally accepted accounting principles in the United States of America for periods ending after September 15, 2009. The FASB ASC incorporates all authoritative literature previously issued by a standard setter. Adoption of the FASB ASC had no effect on the Center’s assets, liabilities, net assets, revenue, expenses, or change in net assets.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Financial statement presentation is in accordance with standards of accounting and financial reporting prescribed for not-for-profit organizations. 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.

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 statement of activities as net assets released from restrictions.

PARK CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

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

Cash and Cash Equivalents

For purposes of the 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 payors 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. An allowance for doubtful accounts of \$100,000 is included in accounts receivable at June 30, 2010.

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 statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying 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. 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 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. Generally accepted accounting principles have 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.

PARK CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

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

Fair Values (Continued)

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 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.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the 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.

Reclassifications

Certain reclassifications have been made to 2009 balances to conform with 2010 presentation.

PARK CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Endowment Funds

The Center accounts for endowment funds in accordance with accounting principles generally accepted in the United States of America. 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

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income tax has been made.

On July 1, 2009, the Center adopted FASB ASC guidance concerning the accounting for income taxes recognized in an entity's financial statements. This interpretation 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 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 guidance must be applied to all existing tax positions upon initial adoption. The Center does not believe there are any uncertain tax positions at June 30, 2010.

PARK CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

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

Income Taxes (Continued)

Additionally, the Center has not recognized any tax related interest and penalties in the accompanying financial statements. Federal tax years that remain open for examination include the years ended June 30, 2007 through June 30, 2010. Adoption of this pronouncement had no impact on the Organization's financial position or results of operations.

Subsequent Events

The Center evaluated subsequent events through October 20, 2010 when these financial statements were available to be issued. The Center is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the 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:

Short-term investments	\$ 58,763
Common stocks	46,116
Corporate bonds	14,264
Mutual funds	<u>234,914</u>
	<u>\$ 354,057</u>

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

Interest and dividend income	
(including interest on cash and cash equivalents)	\$ 9,667
Net unrealized and realized gain on investments	<u>34,436</u>
	<u>\$ 44,103</u>

PARK CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

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:

Land and land improvements	\$ 615,360
Buildings and building improvements	5,527,967
Equipment and furniture	140,224
Vehicles	<u>55,192</u>
	6,338,743
Less: accumulated depreciation	<u>(1,552,532)</u>
	<u>\$ 4,786,211</u>

In January 1989, the Center entered into an agreement with the Metropolitan Development and Housing Agency, the Tennessee Department of Mental Health and Developmental Disabilities, 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. Management currently plans to operate the program for the specified terms of the agreement.

The net asset value of the buildings and land acquired under these agreements in the amount of \$583,600 at June 30, 2010, is included as temporarily restricted net assets.

PARK CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

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 \$125,337 at June 30, 2010.

NOTE 5 – LINE OF CREDIT

During fiscal 2010, 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, property and equipment. There were no outstanding borrowings at June 30, 2010.

NOTE 6 – LONG-TERM DEBT

Long-term debt is as follows at June 30:

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, 2010), maturing December 2014.	\$ 193,924
Mortgage note payable to an organization in monthly principal and interest installments of \$1,960, secured by land, interest at 4.0%, maturing April 2010. During 2010, this note payable was extended until April 2015 under substantially the same terms.	174,795
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.	<u>182,825</u>
	551,544
Less amount shown as current	<u>(35,966)</u>
Long-term debt, non-current	<u>\$ 515,578</u>

PARK CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

NOTE 6 – LONG-TERM DEBT (Continued)

Annual principal maturities of the above obligations are as follows:

Year Ending <u>June 30,</u>	
2011	\$ 35,966
2012	37,158
2013	199,591
2014	31,624
2015	116,222
Thereafter	<u>130,983</u>
	<u>\$ 551,544</u>

NOTE 7 – RESTRICTIONS ON NET ASSETS

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

Property for housing program	\$ 583,600
Contributions restricted for center renovation	<u>25,054</u>
	<u>\$ 608,654</u>

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

Clubhouse	\$ 155,213
Housing	232,366
Future needs	54,057
Board designated endowment	<u>300,000</u>
	<u>\$ 741,636</u>

NOTE 8 – BOARD DESIGNATED ENDOWMENT FUND

As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

PARK CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

NOTE 8 – BOARD DESIGNATED ENDOWMENT FUND (Continued)

The 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 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, 2010. The Board, however, has designated certain assets to serve as an endowment.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated endowment funds	\$ 300,000	\$ -	\$ -	\$ 300,000

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

Endowment net assets, beginning of year	\$ 300,000	\$ -	\$ -	\$ 300,000
Investment return:				
Net appreciation (realized and unrealized)	-	-	-	-
Endowment net assets, end of year	\$ 300,000	\$ -	\$ -	\$ 300,000

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.

PARK CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

NOTE 9 – IN-KIND CONTRIBUTIONS

The Center received in-kind contributions in the amount of \$7,695 for fundraising events during the year ended June 30, 2010. Additionally, during 2010, the Center received an in-kind contribution of two houses and land valued at \$133,900. These assets are included in the temporarily restricted assets discussed in Notes 3 and 7.

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, 2010 was \$104,288.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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.

NOTE 12 – CONCENTRATIONS OF CREDIT RISK

At times during the fiscal year, the Center's cash and cash equivalent balances exceeded federally insured limits.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Center's board of directors maintains the ability to approve the directors of two related organizations, Haley's Park, Inc. and Park Center Housing Development Corporation. The Center has chosen not to consolidate such entities in its financial statements in order to present the entities as separate organizations. Such organizations are ordinarily included in the financial statements of the controlling organization under accounting principles generally accepted in the United States of America. Although the board of directors of the Center may approve the boards of the two related entities, the Center has no responsibility for the liabilities incurred by either entity.

The Center sponsored the establishment of Haley's Park, Inc., a separate not-for-profit 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, 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.

SUPPLEMENTAL INFORMATION

PARK CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2010

	CFDA No.	Pass through Grantor's Number	Balance Receivable June 30, 2009	Receipts	Expenditures	Balance Receivable June 30, 2010
Federal Awards:						
<u>U.S. Department of Health & Human Services.</u>						
Substance Abuse & Mental Health Services	93.243	N/A	\$ 54,072	\$ 54,072	\$ -	\$ -
Substance Abuse & Mental Health Services	93.243	N/A	-	500,527	568,075	67,548
Total Program 93.243 *			54,072	554,599	568,075	67,548
<u>U.S. Department of Homeland Security</u>						
Emergency Food and Shelter Program	97.024	N/A	3,000	3,000	-	-
<u>U.S. Department of Housing and Urban Development</u>						
Community Redevelopment Block Grant						
Neighborhood Stabilization Program	14.218 ++	N/A	-	133,900	133,900	-
<u>U.S. Department of Housing and Urban Development</u>						
Emergency Shelter Program	14.231	N/A	4,115	27,834	23,719	-
<u>U.S. Department of Housing and Urban Development.</u>						
<u>State of Tennessee.</u>						
Emergency Shelter Program	14.231	ESG-09-19	-	14,286	14,286	-
Total Program 14.231			4,115	42,120	38,005	-
<u>U.S. Department of Education, State of Tennessee</u>						
Rehabilitation Services - Vocational	84.126	GR-10-28630	-	22,631	25,600	2,969
<u>U.S. Department of Health & Human Services.</u>						
<u>State of Tennessee</u>						
Data Infrastructure Grant	93.243	DG-07-02015-00	599	599	-	-
Block Grant - Community Mental Health						
Assisted Living Program	93.958	GR-09-25133-01	6,369	6,369	-	-

PARK CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (Continued)
For the year ended June 30, 2010

Block Grant - Community Mental Health					
Assisted Living Program	93.958	33901-26110	-	35,000	35,000
Consumer Housing Specialist	93.958	GR-09-25137-01	2,094	2,094	-
Total Program 93.958			8,463	43,463	35,000
Civil Rights & Privacy Rule Compliance	93.001	7514-GR1028483	-	18,342	26,003
7,661					
U.S. Department of Housing and Urban Development					
State of Tennessee					
Supportive Housing Program	14.235	TN0066B41040801	-	103,095	124,080
20,985					
Total Federal Awards			70,249	921,749	950,663
					99,163
State Awards:					
U.S. Department of Mental Health and Developmental Disabilities, State of Tennessee					
Homes and Other Programs	N/A	GR-09-25133-00	95,598	95,598	-
Homes and Other Programs	N/A	33901-28210	-	367,644	468,575
100,931					
Transitional Youth Services	N/A	GR-09-25758-00	161,668	161,668	-
Transitional Youth Services	N/A	33901-26010	-	454,017	576,746
122,729					
Co-Occurring Disorders Case Management	N/A	GR-09-23975-00	5,033	5,033	-
Co-Occurring Disorders Case Management	N/A	15966	-	27,683	31,719
4,036					
Behavioral Health Safety Net Program	N/A	GR-10-28413	-	43,327	49,750
6,423					
Regional Housing Facilitator	N/A	GR-09-25137-01	15,324	15,324	-
Regional Housing Facilitator	N/A	33901-26810	-	60,178	74,990
14,812					
Consumer Housing Specialist	N/A	GR-09-25137-01	22,003	22,003	-
Consumer Housing Specialist	N/A	7514-GR1028483	-	60,168	70,522
10,354					
Total State Awards			299,626	1,312,643	1,272,302
259,285					
Total Federal and State Awards			\$ 369,875	\$ 2,234,392	\$ 2,222,965
\$ 358,448					

* Indicates a major program

++ Indicates noncash assistance in the form of land and buildings

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL ASSISTANCE

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, 2010. The schedule is presented using the accrual basis of accounting.



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7094

**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***

The Board of Directors of
Park Center
Nashville, Tennessee

We have audited the financial statements of Park Center (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 20, 2010, which expresses a qualified opinion due the effects of not consolidating Haley's Park and Park Center Housing. 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 Park Center'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 Park Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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.

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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2 that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Park Center'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*.

We noted certain matters that we reported to management of Park Center in a separate letter dated October 20, 2010.

Park Center's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Park Center's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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.

Frasier, Dem + Haml, PLLC

October 20, 2010



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7094

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors of
Park Center
Nashville, Tennessee

Compliance

We have audited Park Center's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Park Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of Park Center's management. Our responsibility is to express an opinion on Park Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about Park Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Park Center's compliance with those requirements.

In our opinion, Park Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

Management of Park Center is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit, we considered Park Center's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Park Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Park Center's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Park Center's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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.

Frasier, Den & Hand PLLC

October 20, 2010

PARK CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2010

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses a qualified opinion on the financial statements of Park Center.
2. Two significant deficiencies disclosed during the audit of the financial statements are reported in the 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. The conditions are not considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of Park Center were disclosed during the audit.
4. No significant deficiencies in internal control over major federal programs disclosed during the audit are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Park Center expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

CFDA Number
93.243

Name of Federal Program or Cluster
Substance Abuse and Mental Health
Services Administration

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Park Center was not determined to be a low-risk auditee.

PARK CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the year ended June 30, 2010

FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

2010-1 Financial Statement Reporting

Statement of Condition: The COSO (Committee of Sponsoring Organizations) framework for effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Center's audited financial statements. The Center currently relies on its external audit process to interpret generally accepted accounting principles ("GAAP") and identify risks of misstatement that might be relevant to the risks of preparation of reliable financial statements, including full disclosures in accordance with generally accepted accounting principles. Utilization of the audit process in this manner is by definition a significant deficiency in internal control.

Criteria: Financial statements and related footnotes are to be issued in accordance with GAAP.

Effect of Condition: The Center relies on its external audit to obtain year-end financial statements with required disclosures.

Cause of Condition: Management believes its external board of directors provides adequate control over financial statement reporting.

Auditor's Recommendation: Management and the board of directors should continue to evaluate the cost/benefit of engaging the resources on staff to interpret GAAP and prepare its financial statements and required disclosures.

2010-2 Financial Statement Reporting - Consolidation

Statement of Condition: The Center does not consolidate its financial statements with Haley's Park and Park Center Housing, two entities that are related via board control.

Criteria: Financial statements for commonly controlled not-for-profit organizations should be consolidated.

Effect of Condition: Financial statements could be issued that do not properly reflect the Center's financial condition and results of operations.

Cause of Condition: Management does not believe consolidation of these entities is useful to its financial statement readers.

Auditor's Recommendation: The Center should consider consolidating commonly controlled entities in conformity with generally accepted accounting principles.

PARK CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the year ended June 30, 2010

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness - None

FINDINGS AND QUESTIONED COSTS MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

PARK CENTER
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year ended June 30, 2010

2009-1 Statement of Condition: The Center currently relies on its external audit process to interpret generally accepted accounting principles and identify risks of misstatement that might be relevant to the risks of preparation of reliable financial statements, including full disclosures in accordance with generally accepted accounting principles ("GAAP").

Auditor's Recommendation: We recommend that the Board and management evaluate the cost/benefit of engaging the resources on staff to interpret GAAP and prepare its audited financial statements.

Current Status: The Center has two CPAs on the board of directors who are always willing to assist in any questions that might arise. Also, the Treasurer of the Board is a CPA and reviews the financials bi-monthly.

2009-2 Statement of Condition: The Center does not consolidate its financial statements with Haley's Park and Park Center Housing, two entities that are related via board control.

Auditor's Recommendation: We recommend that the Center consider consolidating commonly controlled entities in conformity with generally accepted accounting principles.

Current Status: The Center is considering reducing the level of influence Park Center has over the boards of the commonly controlled entities. However, transactions between the entities are being recorded in accordance with generally accepted accounting principles.

2009-3 Statement of Condition: The financial status report, SF-269, was not filed timely for the budget year ended September 30, 2008.

Auditor's Recommendation: We recommend that all reports required by the grant be filed on a timely basis.

Current Status: The Center has filed all other financial reports timely.

2009-4 Statement of Condition: Indirect costs allocations charged to the grant were not included in the grant budget.

Auditor's Recommendation: We recommend that the Center obtain federal grantor approval for the indirect cost allocations to ensure that all costs charged to the grant comply with the amounts described in the budget justification narrative.

Current Status: The Center has received an indirect cost rate agreement from the grantor.



www.parkcenternashville.org

BOARD OF DIRECTORS

Stu Miller, Chairman
Phil Suiter, First Vice Chairman
Doug Berry, Second Vice Chairman
Carl W. Brown, Secretary
Amy Thompson, Treasurer
Joe Whitehouse, Immediate Past Chairman

Jennie Adams
J. Chris Bangerter
Bill Carver
Lily Catalano
Sherica Clark
Sondra Cruickshanks
Barbara Daane
Dan Eisenstein
George Haley
Bennie L. Harris
Mildred James
Tracey A. Kinslow
Isabel Northcutt
William A. Parsons
Mark Petty
Dr. Rudra Prakash
Kirsten Schriener
Bill Young

Barbara Quinn, President & CEO

PARK CENTER SOUTH

801 12th Avenue South
Nashville, TN 37203
P: 615-242-3576, F: 615-242-3580

PARK CENTER EAST

948 Woodland Street
Nashville, TN 37206
P: 615-650-2900, F: 615-650-8917

PARK CENTER CLINIC

P: 615-650-5550, F: 615-650-2929

PARK CENTER HOUSING

P: 615-228-1164, F: 615-226-5783

HOMELESS OUTREACH

P: 615-887-8460

TRANSITIONAL YOUTH

P: 615-228-4343, F: 615-228-4344

CORRECTIVE ACTION PLAN

October 20, 2010

U.S. Department of Health and Human
Services

Park Center respectfully submits the following corrective action plan for the year ended June 30, 2010.

Name and address of independent public
accounting firm:

Frasier, Dean & Howard, PLLC
3310 West End Avenue, Suite 550
Nashville, TN 37203

Audit period: July 01, 2009 – June 30,
2010

The findings from the June 30, 2010 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

2010-1 Financial Statement Reporting

Auditor's Recommendation: The Center should consider having a certified public accountant oversee its financial reporting function to ensure conformity with generally accepted accounting principles.

Action Taken: The Center has CPAs on the board of directors who are always willing to assist in any questions that might arise. Also, the Treasurer of the board is a CPA and reviews the financial statements bi-monthly.

2010-2 Financial Statement Reporting - Consolidation

Auditor's Recommendation: The Center should consider consolidating commonly controlled entities in conformity with generally accepted accounting principles.

CORRECTIVE ACTION PLAN (CONTINUED)

Action Taken: The Center is currently considering reducing the level of influence Park Center has over the boards of the commonly controlled entities. However, transactions between the entities are being recorded in accordance with generally accepted accounting principles.

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness

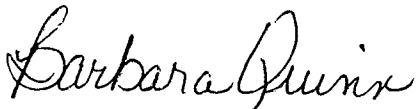
None

FINDINGS AND QUESTIONED COSTS MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

If the U.S. Department of Health and Human Services has questions regarding this plan, please call Barbara Quinn, CEO, at 615-242-3831.

Sincerely,

A handwritten signature in cursive script that reads "Barbara Quinn".

Barbara Quinn