THE ROCHELLE CENTER

FINANCIAL STATEMENTS

JUNE 30, 2008

(With Independent Auditor's Report Thereon)

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JUNE 30, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Rochelle Center

We have audited the accompanying balance sheet of The Rochelle Center (a non-profit corporation) as of June 30, 2008, and the related statements of income, retained earnings, 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. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Rochelle Center as of June 30, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

APH, CPAs

September 11, 2008

THE ROCHELLE CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008

ASSETS

Current Assets:		
Cash and cash equivalents		$ 24,826
Investments		996,877
Accounts receivable		
Production contracts	$ 56,766	
Department of mental health	470,637	
Private pay	785	
BagelWorks and Perks	2,212	
Special events	3,525	
Chukkers	54,164	
Residential	27,742	
Other	1,085	
Subtotal	616,916	
Less: allowance for doubtful accounts	(1,374)	
		615,542
Inventory		2,813
Prepaid expenses		15,472
Total current assets		1,655,530
Property and Equipment:		
Land	49,331	
Buildings	2,282,646	
Equipment	1,054,929	
	3,386,906	
Less: accumulated depreciation	(1,782,079)	
		1,604,827
Other Asset		4,900
Assets Whose Use is Limited:		
Cash - restricted by the donor	30,827	
Cash - restricted by the board	687,822	
Buildings	460,067	
Endowment	5,623	
		1,184,339
		$ 4,449,596

See accompanying notes to the financial statements.

THE ROCHELLE CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008

LIABILITIES AND NET ASSETS

Current Liabilities:		
Current installments of long-term debt	$ 16,792	
Accounts payable	153,462	
Due to BagelWorks	85,000	
Loan payable - State of Tennessee	293,222	
Accrued expenses	44,177	
Total current liabilities		$ 592,653
Long-term debt, net of current installments		749,371
		1,342,024
Net Assets:		
Unrestricted		
Undesignated	1,923,233	
Board-designated	687,822	
Total unrestricted		2,611,055
Temporarily restricted		490,894
Permanently restricted		5,623
		3,107,572
		$ 4,449,596

See accompanying notes to the financial statements.

THE ROCHELLE CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues:				
Contributions	$ 38,625	$ -	$ 600	$ 39,225
United Way	71,106	-	-	71,106
Government grants and contracts	2,540,772	137,286	-	2,678,058
Supported employment	36,267	-	-	36,267
Program fees	10,734	-	-	10,734
Rental income	87,030	-	-	87,030
Workshop sales	288,107	-	-	288,107
Freight revenue	14,359	-	-	14,359
Special events	135,910	-	-	135,910
Investment income	47,199	-	297	47,496
Miscellaneous	3,290	-	(522)	2,768
Net assets released from restrictions	42,590	(42,590)	-	-
Total support and revenues	3,315,989	94,696	375	3,411,060
Expenses:				
Program services:				
Developmental services	599,710	-	-	599,710
Residential services	804,447	-	-	804,447
Production center	955,579	-	-	955,579
Supported employment	119,862	-	-	119,862
Total program services	2,479,599	-	-	2,479,599
Supporting services:				
Management and general	488,352	-	-	488,352
Fundraising	65,326	-	-	65,326
Total supporting services	553,678	-	-	553,678
Total expenses	3,033,277	-	-	3,033,277
Increase in net assets	282,712	94,696	375	377,783
Balance at June 30, 2007	2,333,591	396,198	-	2,729,789
Reclassification	(5,248)	-	5,248	-
Balance at June 30, 2008	$ 2,611,055	$ 490,894	$ 5,623	$ 3,107,572

See accompanying notes to the financial statements.

THE ROCHELLE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

	Program Services		
	Developmental Services	Residential Services	Production Center
Salaries	$ 383,862	$ 422,818	$ 366,795
Payroll taxes and benefits	61,326	79,857	93,111
Total personnel costs	445,188	502,675	459,906
Bad debts	-	-	2,255
Communications	1,825	13,972	9,764
Contracted services	40,906	23,198	107,853
Dues and subscriptions	126	113	212
Insurance	13,639	4,986	13,231
Interest	-	35,787	-
Miscellaneous	2,532	6,748	5,072
Professional fees	-	-	-
Rental	3,845	2,520	42,182
Repairs and maintenance	17,421	43,342	43,413
Special events	-	-	-
Supplies	15,580	42,647	29,238
Travel and transportation	2,271	13,268	8,593
Utilities	23,479	44,909	30,966
Workshop wages and benefits	-	-	158,033
Total expenses before depreciation	566,812	734,165	910,718
Depreciation	32,898	70,282	44,861
Total expenses	$ 599,710	$ 804,447	$ 955,579

See accompanying notes to the financial statements.

		Supporting Services		
Supported Employment	Total Program Services	Management and General	Fundraising	Total Expenses
$ 60,252	$ 1,233,727	$ 333,381	$ -	$ 1,567,108
12,612	246,906	61,512	-	308,418
72,864	1,480,633	394,893	-	1,875,526
-	2,255	-	-	2,255
2,704	28,265	3,911	600	32,776
11,728	183,685	52,163	498	236,346
-	451	660	-	1,111
1,299	33,155	6,040	-	39,195
-	35,787	-	-	35,787
2,499	16,851	6,781	642	24,274
-	-	9,000	-	9,000
-	48,547	-	-	48,547
6,716	110,892	2,499	-	113,391
-	-	-	63,402	63,402
15,906	103,371	12,230	184	115,785
4,103	28,235	175	-	28,410
548	99,902	-	-	99,902
-	158,033	-	-	158,033
118,367	2,330,062	488,352	65,326	2,883,740
1,495	149,537	-	-	149,537
$ 119,862	$ 2,479,599	$ 488,352	$ 65,326	$ 3,033,277

THE ROCHELLE CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

Cash Flows From Operating Activities:		
Increase in net assets		$ 377,783
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	$ 149,537	
Allowance for doubtful accounts	(4,495)	
Unrealized (gain) loss on investments	522	
Interest Income	(30,069)	
Changes in:		
Accounts receivable and deferred revenue	(466,574)	
Inventory	(2,813)	
Prepaid expenses	2,819	
Other asset	(4,900)	
Accounts payable	77,857	
Loan payable to state	293,222	
Accrued expenses	10,097	
Total adjustments		25,203
Net cash provided by operating activities		402,986
Cash Flows from Investing Activities:		
Net change in cash whose use is limited	(200,905)	
Proceeds from certificates of deposit	509,542	
Purchases of certificates of deposit	(607,380)	
Purchases of property and equipment	(465,963)	
Net cash used in investing activities		(764,706)
Cash Flows from Financing Activities:		
Issuance of long-term debt	180,000	
Payments on long-term debt	(9,992)	
Net cash used in financing activities		170,008
Net decrease in cash and cash equivalents		(191,712)
Cash and cash equivalents - beginning of year		216,538
Cash and cash equivalents - end of year		$ 24,826

Supplemental Cash Flow Information:

Interest paid during the year ended June 30, 2008, was $35,787.

During the year ended June 30, 2008, the Center financed new property in the amount of $180,000 and refinanced property in the amount of $256,506.

See accompanying notes to the financial statements.

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - Summary of Significant Accounting Policies

a. Nature of Activities

The Rochelle Center (the "Center) is a norprofit organization located in Nashville, Tennessee. For over 30 years, the Rochelle Center has served persons with developmental disabilities and their families, creating opportunities to develop new skills, enhance independence and increase acceptance as valued members of their communities.

b. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

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. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned and any related investments for general or specific purposes.

c. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Center considers all unrestricted cash and investment instruments purchased with original maturities of three months or less to be cash equivalents.

d. Concentration of Credit Risk

The Center maintains its cash in bank and money market accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and does not believe that it is exposed to any significant credit risk on cash or its money market accounts.

e. Promises to Give

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as support and revenues in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

f. Investments

The Center records investments in marketable securities with readily determinable fair values at their fair values in the Statement of Financial Position. Unrealized gains and losses on investments are included in the change in net assets in the accompanying Statement of Activities.

At June 30, 2008, investments consisted of $988,877 in certificates of deposit and $8,000 in marketable securities.

NOTE 1 - Summary of Significant Accounting Policies (continued)

g. Accounts Receivable

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding accounts. The Center has reserved $1,374 in potential bad debts.

h. Inventory

Inventory is recorded at fair market value on a first in, first out basis.

i. Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. The Center's capitalization policy is to capitalize any expenditure over $500 for any land, building, and equipment purchased. Expenditures for repairs and maintenance are charged to expense as incurred.

Property and equipment donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long the donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service and also reclassifies the temporarily restricted nets assets to unrestricted net assets at that time.

A portion of the property and equipment is subject to the reversionary interest held by various governmental units in the assets, as well as any proceeds from their disposition through certain dates in the future, typically 15 years from the date of acquisition.

j. Accrued Expenses

Accrued expenses include accrued wages, leave, and any other liability that is accrued at year end. At June 30, 2008, accrued expenses consisted of the following:

Accrued vacation	$	19,910
Accrued wages payable		24,267
	$	44,177

k. Income Tax Status

The Center is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and the Center is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

l. Functional Allocation of Expenses

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

NOTE 1 - Summary of Significant Accounting Policies (continued)

m. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

n. Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments.

The fair value of long-term debt approximates the carrying amount and is estimated based on current rates offered to the Center.

o. Donated Services

The Center receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the Statements of Activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

p. Reclassifications

Certain accounts in the 2007 financial statements have been reclassified for comparative purposes to conform to the presentation of the 2008 financial statements.

q. Board Oversight

The Board of Directors maintains contact with the independent auditor and reviews all management letter suggestions in great detail. During the year ended June 30, 2008, no management letter was issued.

NOTE 2 - Concentration of Credit Risk

At June 30, 2008, three customers owed the Center approximately 78% of the total accounts receivable.

At June 30, 2008, one vendor was due approximately 23% of the total accounts payable.

NOTE 3 - Net Assets

At June 30, 2008, the Board of Directors has designated $687,822 in designated net assets to be used as follows:

Capital expenditures	$	558,322
Purchase of additional Foxwood property		50,000
Investment in BagelWorks		75,000
Website		4,500
Total board restricted net assets	$	687,822

NOTE 3 - Net Assets (continued)

Also at June 30, 2008, the Center had $490,894 held in assets whose use was temporarily restricted by the donors as follows:

THDA grant	$	331,934
MDHA grant		128,134
Memorials		4,800
Bar code equipment		4,026
Sensory garden		22,000
Total temporarily restricted net assets	$	490,894

Also at June 30, 2008, the Center had $5,623 held in assets whose use was permanently restricted in an endowment with the Community Foundation of Middle Tennessee.

NOTE 4 - Long-term Debt

Long-term debt at June 30, 2008, consists of the following:

First mortgage note payable to U.S. Bank with a maturity of June 2, 2029. Monthly payments of $1,162 are required based on 25 years amortization with interest at 5.05%. The note is collateralized by real and personal property located at 1132 Graycroft Avenue, Madison, Tennessee.	$	182,645
First mortgage note payable to U.S. Bank with a maturity of June 2, 2029. Monthly payments of $325 are required based on 25 years amortization with interest at 5.05%. The note is collateralized by real and personal property located at 1088 12th Avenue South, Nashville, Tennessee.		51,120
First mortgage note payable to Avenue Bank with a maturity of April 16, 2013. Monthly payments of $1,587 are required based on a 5 year amortization with interest at 5.5%. The note is collateralized by real And personal property located at 7244 Old Harding Pike, Nashville, Tennessee, 209 Wellington Drive, Nashville, Tennessee, and 4412 Gra Mar, Nashville, Tennessee.		255,603
First mortgage note payable to Avenue Bank with a maturity of March 12, 2013. Monthly payments of $495 are required based on a 5 year amortization with interest at 5.5%. The note is collateralized by real And personal property located at 4560 White's Creek Pike, White's Creek, TN.		79,637
First mortgage note payable to Avenue Bank with a maturity of March 5, 2013. Monthly payments of $619 are required based on a 5 year amortization with interest at 5.5%. The note is collateralized by real and personal property located at 212 Foxwood Lane, Nashville, TN.		99,546

NOTE 4 - Long-term Debt (continued)

First mortgage note payable to Sara Wood with a maturity of November 2011. Monthly payments of $537 are required, including 5% interest. The remaining principal amount is due in November 2011. The note is collateralized by real and personal property located at 4536 Andrew Jackson Parkway, Nashville, Tennessee.	$ 97,612
	766,163
Less: current maturities	(16,792)
	$ 749,371

The following is a schedule of future maturities:

Year Ending June 30,	
2009	$ 16,792
2010	17,693
2011	18,642
2012	110,322
2013	404,708
Thereafter	198,006
	766,163
Less: current installments	(16,792)
	$ 749,371

NOTE 5 - Lease Agreement

The Center leases various office equipment and real property under lease arrangements classified as operating leases. The leases are payable in monthly payments totaling $3,673 and expire at various dates through June 2010. Total rent expense for the year ended June 30, 2008, was $48,547.

Future minimum lease payments are as follows:

Year Ending June 30,	
2009	$ 8,674
2010	8,121
Total	$ 16,795

NOTE 6 - Commitments and Contingencies

The Center receives a substantial amount of its support and revenues from governmental agencies. A significant reduction in the level of this support may reflect on the Center's future programs and activities. In addition, the funding received from the governmental agencies is subject to audit and retroactive adjustment by the governmental agencies.

From time to time, the Center may be named as a defendant in lawsuits filed by a former employee or its clients. At June 30, 2008, the Company does not believe that any claims have merit and intends to vigorously defend its position for all outstanding claims.

NOTE 7 - Related Party Transactions

The Center is currently acting in an agency relationship with a company established in July 2008, BagelWorks and Perks (BagelWorks). BagelWorks is set up as a Tennessee non-profit single member LLC, with the Center as the sole member. The Center has paid certain expenses totaling $7,112 on behalf of BagelWorks. Of the $7,112, $4,900 is an investment by the Center in BagelWorks that is not expected to be repaid, and the remaining amount has been recorded as due from BagelWorks. The Center has received a donation in the amount of $85,000 for BagelWorks and is holding the donation under the restrictions of an agency relationship. The Center has also received a note receivable, with an interest rate of 3.35%, in the amount from $100,000 to BagelWorks.