

PARK CENTER
FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA

June 30, 2004 and 2003

PARK CENTER
Table of Contents

Independent Auditor's Report.....	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3 – 4
Statements of Functional Expenses	5 – 6
Statements of Cash Flows.....	7
Notes to Financial Statements	8 – 13
Supplementary Data:	
Schedule of Expenditures of Federal and State Awards	14 – 15
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16 – 17



FRASIER, DEAN & HOWARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Park Center

We have audited the accompanying statements of financial position of Park Center (a nonprofit organization) as of June 30, 2004 and 2003, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Park Center as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2004, on our consideration of Park Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Park Center taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Frasier, Dean & Howard, PLLC

August 20, 2004

PARK CENTER
STATEMENTS OF FINANCIAL POSITION
June 30, 2004 and 2003

Assets

	<u>2004</u>	<u>2003</u>
Current assets:		
Cash and cash equivalents	\$ 724,058	\$ 674,725
Investments	2,780	2,780
Accounts receivable	125,719	163,997
Grants receivable	48,078	97,056
Contributions receivable	13,050	13,050
Prepaid expenses	<u>43,114</u>	<u>41,132</u>
Total current assets	956,799	992,740
Property and equipment, net	3,270,974	3,103,233
Contributions receivable, less current installments	5,000	10,000
Other assets	<u>3,589</u>	<u>3,589</u>
Total assets	<u><u>\$ 4,236,362</u></u>	<u><u>\$ 4,109,562</u></u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 29,460	\$ 69,117
Accrued expenses	143,333	151,119
Current installments of long-term debt	<u>283,381</u>	<u>15,972</u>
Total current liabilities	456,174	236,208
Long-term debt, less current installments	<u>68,254</u>	<u>73,054</u>
Total liabilities	<u>524,428</u>	<u>309,262</u>
Net assets:		
Unrestricted:		
Undesignated	2,901,078	2,968,557
Board designated	<u>387,579</u>	<u>387,579</u>
Total unrestricted	3,288,657	3,356,136
Temporarily restricted	<u>423,277</u>	<u>444,164</u>
Total net assets	<u>3,711,934</u>	<u>3,800,300</u>
Total liabilities and net assets	<u><u>\$ 4,236,362</u></u>	<u><u>\$ 4,109,562</u></u>

See accompanying notes.

PARK CENTER
STATEMENT OF ACTIVITIES
For the year ended June 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues:			
Public support:			
Grants and contracts	\$ 2,801,487	\$ -	\$ 2,801,487
Contributions	175,570	-	175,570
United Way	45,007	-	45,007
Total public support	<u>3,022,064</u>	<u>-</u>	<u>3,022,064</u>
Revenues:			
Rental income	284,203	-	284,203
In-kind income	19,256	-	19,256
Food service fees	11,396	-	11,396
Other	42,667	-	42,667
Investment and interest income	3,226	-	3,226
Net assets released from restrictions	20,887	(20,887)	-
Total revenues	<u>381,635</u>	<u>(20,887)</u>	<u>360,748</u>
Total public support and revenues	<u>3,403,699</u>	<u>(20,887)</u>	<u>3,382,812</u>
Expenses:			
Program services:			
Continuous treatment and vocational rehabilitation	912,768	-	912,768
Supported housing	803,751	-	803,751
Housing	650,774	-	650,774
Psychosocial rehabilitation	529,475	-	529,475
Safe Havens	286,408	-	286,408
TDMHMR supportive employment	68,459	-	68,459
Vocational rehabilitation establishment	44,129	-	44,129
TDHS supportive employment	40,013	-	40,013
Total program services	<u>3,335,777</u>	<u>-</u>	<u>3,335,777</u>
Supporting services:			
Management and general	82,097	-	82,097
Fundraising	53,304	-	53,304
Total supporting services	<u>135,401</u>	<u>-</u>	<u>135,401</u>
Total expenses	<u>3,471,178</u>	<u>-</u>	<u>3,471,178</u> ✓
Change in net assets	(67,479)	(20,887)	(88,366)
Net assets - beginning of year	<u>3,356,136</u>	<u>444,164</u>	<u>3,800,300</u>
Net assets - end of year	<u>\$ 3,288,657</u>	<u>\$ 423,277</u>	<u>\$ 3,711,934</u>

See accompanying notes.

PARK CENTER
STATEMENT OF ACTIVITIES
For the year ended June 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues:			
Public support:			
Grants and contracts	\$ 3,130,431	\$ -	\$ 3,130,431
Contributions	62,902	-	62,902
United Way	53,172	-	53,172
Total public support	<u>3,246,505</u>	<u>-</u>	<u>3,246,505</u>
Revenues:			
Rental income	263,001	-	263,001
In-kind income	22,406	-	22,406
Food service fees	14,740	-	14,740
Other	15,775	-	15,775
Investment and interest income	7,130	-	7,130
Net assets released from restrictions	49,206	(49,206)	-
Total revenues	<u>372,258</u>	<u>(49,206)</u>	<u>323,052</u>
Total public support and revenues	<u>3,618,763</u>	<u>(49,206)</u>	<u>3,569,557</u>
Expenses:			
Program services:			
Continuous treatment and vocational rehabilitation	994,437	-	994,437
Supported housing	807,414	-	807,414
Psychosocial rehabilitation	606,289	-	606,289
Housing	590,305	-	590,305
Safe Havens	287,369	-	287,369
Vocational rehabilitation establishment	103,085	-	103,085
TDMHMR supportive employment	82,768	-	82,768
TDHS supportive employment	49,080	-	49,080
Total program services	<u>3,520,747</u>	<u>-</u>	<u>3,520,747</u>
Supporting services:			
Management and general	80,626	-	80,626
Fundraising	8,287	-	8,287
Total supporting services	<u>88,913</u>	<u>-</u>	<u>88,913</u>
Total expenses	<u>3,609,660</u>	<u>-</u>	<u>3,609,660</u>
Change in net assets	9,103	(49,206)	(40,103)
Net assets - beginning of year	<u>3,347,033</u>	<u>493,370</u>	<u>3,840,403</u>
Net assets - end of year	<u>\$ 3,356,136</u>	<u>\$ 444,164</u>	<u>\$ 3,800,300</u>

See accompanying notes.

Park Center, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2004

	Program Services								Supporting Services			
	Continuous Treatment & Vocational Rehabilitation	Supported Housing	Housing	Psychosocial Rehabilitation	Safe Havens	TDMHMR Supportive Employment	Vocational Rehabilitation Establishment	TDHS Supportive Employment	Total Program Services	Mgmt and General	Fundraising	Total Expenses
Personnel services	\$ 586,817	\$ 527,862	\$ 284,692	\$ 253,614	\$ 182,294	\$ 40,728	\$ 34,659	\$ 31,720	\$ 1,942,386	\$ 45,992	\$ -	\$1,988,378
Payroll taxes	44,494	38,990	20,571	18,764	13,887	3,127	2,647	2,299	144,779	3,452	-	148,231
Fringe benefits	72,275	26,380	28,735	22,003	6,898	3,161	3,336	3,750	166,538	3,829	-	170,367
Total personnel costs	703,586	593,232	333,998	294,381	203,079	47,016	40,642	37,769	2,253,703	53,273	-	2,306,976
Utilities	17,599	32,181	49,500	34,752	11,848	-	-	-	145,880	-	-	145,880
Rental assistance	-	50,574	82,244	-	-	-	-	-	132,818	-	-	132,818
Food and beverage	20,052	32,383	7,772	46,895	14,819	4,885	-	-	126,806	27	-	126,833
Insurance	39,719	12,843	31,553	12,793	7,209	4,463	1,269	329	110,178	2,477	-	112,655
Contract services	19,544	9,588	36,903	16,132	2,631	608	513	1,061	86,980	722	-	87,702
Professional fees	5,032	26,562	20,079	2,007	1,898	1,620	55	5	57,258	1,441	-	58,699
Telephone	19,588	4,153	8,304	19,777	3,081	430	60	413	55,806	333	-	56,139
Fundraising	-	-	-	-	-	-	-	-	-	-	53,304	53,304
Rental and maintenance	7,351	3,951	17,806	10,770	2,639	-	-	-	42,517	204	-	42,721
Program services	25,149	3,193	3,580	7,748	551	200	122	273	40,816	35	-	40,851
Janitorial supplies	6,451	-	5,793	16,773	1,512	-	-	-	30,529	-	-	30,529
In-kind expenses	-	-	-	-	-	-	-	-	-	19,256	-	19,256
Office supplies	8,105	2,841	2,186	3,640	827	159	173	-	17,931	686	-	18,617
Small equipment purchases	3,110	2,374	2,309	3,615	713	-	-	-	12,121	1,958	-	14,079
Taxes and licenses	656	6,892	4,071	912	626	10	-	-	13,167	-	-	13,167
Printing and publications	4,670	1,048	1,691	1,615	-	604	686	-	10,314	605	-	10,919
Vehicle expense	1,226	3,530	2,755	406	1,101	485	-	-	9,503	-	-	9,503
Miscellaneous	1,187	2,329	982	3,199	37	805	-	163	8,702	429	-	9,131
Interest	-	1,763	3,769	-	-	-	-	-	5,532	-	-	5,532
Travel	416	759	2,749	162	-	906	-	-	4,992	113	-	5,105
Conferences and meetings	1,171	1,328	1,250	365	181	378	16	-	4,689	264	-	4,953
Certifications and accreditations	1,262	1,356	147	335	434	-	35	-	3,569	-	-	3,569
Postage and shipping	525	79	151	1,589	23	-	-	-	2,367	274	-	2,641
Medical supplies	769	44	34	-	13	-	-	-	860	-	-	860
Total expense before depreciation	887,168	793,003	619,626	477,866	253,222	62,569	43,571	40,013	3,177,038	82,097	53,304	3,312,439
Depreciation	25,600	10,748	31,148	51,609	33,186	5,890	558	-	158,739	-	-	158,739
Total expenses	\$ 912,768	\$ 803,751	\$ 650,774	\$ 529,475	\$ 286,408	\$ 68,459	\$ 44,129	\$ 40,013	\$ 3,335,777	\$ 82,097	\$ 53,304	\$3,471,178

See accompanying notes.

PARK CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2003

	Program Services								Supporting Services			
	Continuous Treatment & Vocational Rehabilitation	Supported Housing	Psychosocial Rehabilitation	Housing	Safe Havens	Vocational Rehabilitation Establishment	TDMHMR Supportive Employment	TDHS Supportive Employment	Total Program Services	Management and General	Fundraising	Total Expenses
Personnel services	\$ 672,416	\$ 552,038	\$ 284,574	\$ 281,548	\$ 187,180	\$ 76,217	\$ 56,220	\$ 38,993	\$ 2,149,186	\$ 61,059	\$ -	\$ 2,210,245
Payroll taxes	46,298	40,856	20,429	20,080	13,770	5,414	3,916	2,747	153,510	4,375	-	157,885
Fringe benefits	66,663	28,085	29,940	28,232	7,844	10,796	5,833	4,492	181,885	4,266	-	186,151
Total personnel costs	785,377	620,979	334,943	329,860	208,794	92,427	65,969	46,232	2,484,581	69,700	-	2,554,281
Utilities	16,994	30,482	33,988	45,955	11,662	-	-	-	139,081	-	-	139,081
Rental assistance	-	45,485	-	69,419	102	-	-	-	115,006	-	-	115,006
Food and beverage	13,215	30,853	52,880	9,173	6,808	-	2,710	-	115,639	-	-	115,639
Insurance	48,335	12,148	13,170	25,932	6,440	1,453	5,401	333	113,212	1,419	-	114,631
Contract services	7,625	10,641	16,285	16,253	6,403	1,735	621	874	60,437	605	-	61,042
Professional fees	12,724	7,134	4,907	5,064	1,822	40	570	-	32,261	4,869	-	37,130
Telephone	21,044	4,847	15,434	9,178	3,293	51	392	738	54,977	395	-	55,372
Fundraising	-	-	-	-	-	-	-	-	-	-	8,287	8,287
Rental and maintenance	9,583	4,841	16,717	13,583	4,206	-	-	-	48,930	57	-	48,987
Program services	25,854	3,510	9,829	4,296	1,362	429	258	597	46,135	25	-	46,160
Janitorial supplies	4,980	220	13,117	4,447	941	-	-	-	23,705	44	-	23,749
In-kind expenses	-	-	21,406	-	-	-	-	-	21,406	-	-	21,406
Office supplies	7,383	3,315	4,314	770	844	3,668	88	203	20,585	1,222	-	21,807
Small equipment purchases	2,646	6,192	6,649	7,106	144	818	17	-	23,572	295	-	23,867
Taxes and licenses	967	8,784	1,540	4,189	1,114	160	-	11	16,765	-	-	16,765
Printing and publications	2,420	759	2,494	1,340	21	651	169	-	7,854	913	-	8,767
Vehicle expense	2,558	3,209	382	1,770	942	-	396	-	9,257	-	-	9,257
Miscellaneous	1,900	365	4,674	964	174	-	81	7	8,165	319	-	8,484
Interest	13	13	98	7,796	-	1,027	-	-	8,947	13	-	8,960
Travel	687	142	249	832	-	-	246	-	2,156	-	-	2,156
Conferences and meetings	3,986	3,020	2,061	2,421	671	95	253	85	12,592	448	-	13,040
Certifications and accreditations	284	173	198	159	58	-	-	-	872	33	-	905
Postage and shipping	404	-	1,907	196	4	-	-	-	2,511	269	-	2,780
Medical supplies	1,129	87	-	-	25	-	-	-	1,241	-	-	1,241
Total expense before depreciation	970,108	797,199	557,242	560,703	255,830	102,554	77,171	49,080	3,369,887	80,626	8,287	3,458,800
Depreciation	24,329	10,215	49,047	29,602	31,539	531	5,597	-	150,860	-	-	150,860
Total expenses	\$ 994,437	\$ 807,414	\$ 606,289	\$ 590,305	\$ 287,369	\$ 103,085	\$ 82,768	\$ 49,080	\$ 3,520,747	\$ 80,626	\$ 8,287	\$ 3,609,660

See accompanying notes.

PARK CENTER
STATEMENT OF CASH FLOWS
For the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Change in net assets	\$ (88,366)	\$ (40,103)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	158,739	150,860
Changes in operating assets and liabilities:		
Accounts receivable	38,278	38,592
Grants receivable	48,978	36,131
Contributions receivable	5,000	39,100
Prepaid expenses	(1,982)	(2,644)
Accounts payable	(39,657)	(20,270)
Accrued expenses	(7,786)	42,008
	<u>113,204</u>	<u>243,674</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(326,480)	(112,962)
	<u>(326,480)</u>	<u>(112,962)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Payments on long-term debt	(21,552)	(38,355)
Proceeds from issuance of long-term debt	284,161	-
	<u>262,609</u>	<u>(38,355)</u>
Net cash provided by (used in) financing activities		
Net increase in cash and cash equivalents	49,333	92,357
Cash and cash equivalents - beginning of year	<u>674,725</u>	<u>582,368</u>
Cash and cash equivalents - end of year	<u>\$ 724,058</u>	<u>\$ 674,725</u>
Supplemental disclosure:		
Interest paid	<u>\$ 5,532</u>	<u>\$ 8,960</u>

See accompanying notes.

PARK CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

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.

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 follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (“SFAS”) No. 117, *Financial Statements of Not-for-Profit Organizations*. 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. 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.

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.

Investments

In accordance with SFAS No. 124, “Accounting for Certain Investments Held by Not-for-Profit Organizations,” 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.

PARK CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004 and 2003

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

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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Center uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Management believes that unconditional promises to give are fully collectible as of June 30, 2004 and 2003. As a result, no allowance for uncollectible accounts has been provided.

Donated Goods and Services

The values of donated goods and services meeting the criteria for recognition are recorded as in-kind contributions, with the corresponding expenses recorded, when the fair values of the goods and services are available.

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.

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.

NOTE 2 – LAND, BUILDING AND EQUIPMENT

Land, building and equipment are recorded at cost at the date of purchase or fair market value at date of gift. Depreciation of building and equipment is provided over the estimated useful lives of the respective assets (ranging from three to thirty 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 \$500 or greater.

PARK CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004 and 2003

NOTE 2 – LAND, BUILDING AND EQUIPMENT (Continued)

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

	<u>2004</u>	<u>2003</u>
Land and land improvements	\$ 1,104,895	\$ 1,084,896
Buildings and building improvements	2,823,875	2,536,758
Equipment	266,654	266,654
Vehicles	95,720	99,408
Furniture	50,101	50,101
Land and land improvements restricted for housing program	<u>22,000</u>	<u>22,000</u>
	4,363,245	4,059,817
Less: accumulated depreciation	<u>(1,092,271)</u>	<u>(956,584)</u>
	<u><u>\$ 3,270,974</u></u>	<u><u>\$ 3,103,233</u></u>

In January 1989, the Center entered into an agreement with the Metropolitan Housing Development Authority, 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 back to the governmental agencies which provided them. Management currently plans to operate the program for the specified terms of the agreement. The net book values of the houses and land in the amount of \$405,277 and \$421,114 at June 30, 2004 and 2003, respectively, are included as temporarily restricted net assets.

NOTE 3 – 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 \$74,803 and \$114,308 at June 30, 2004 and 2003, respectively.

NOTE 4 – LINE OF CREDIT

The Center has available a \$200,000 revolving line of credit with a financial institution. The agreement provides for interest to accrue at 4.25%. The note has a maturity date of January 31, 2005. No borrowings were outstanding under the agreement at June 30, 2004 and 2003.

PARK CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004 and 2003

NOTE 4 – LINE OF CREDIT (Continued)

During fiscal year 2004, the Center has available a \$35,000 revolving line of credit with Nashville Housing Fund. This loan is used to offset start-up costs of Haley's Park, an entity related to the Center. The agreement states interest on outstanding balances will be 0% and matures June 2005. No borrowings were outstanding under the agreement at June 30, 2004.

NOTE 5 – LONG-TERM DEBT

Long-term debt is as follows:

	<u>2004</u>	<u>2003</u>
Mortgage note payable to bank in monthly principal and interest installments of \$1,638, secured by land, interest at 4.5% maturing June 2008.	\$ 73,144	\$ 89,026
Mortgage note payable to an organization in monthly principal and interest installments of \$1,960, secured by land, interest at 4.0% maturing April 2005.	262,843	-
Installment note payable to finance company in monthly principal and interest installments of \$319, secured by a vehicle, interest at 0%, maturing August 2008.	15,648	-
	351,635	89,026
Less amount shown as current	(283,381)	(15,972)
Long-term debt, non-current	<u>\$ 68,254</u>	<u>\$ 73,054</u>

Annual principal maturities of the above obligation are as follows:

<u>Year Ended June 30,</u>	
2005	\$ 283,381
2006	21,306
2007	22,108
2008	22,948
2009	1,892
Thereafter	-
	<u>\$ 351,635</u>

PARK CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004 and 2003

NOTE 6 – 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 years ended June 30, 2004 and 2003 was \$63,834 and \$79,399, respectively.

NOTE 7 – IN-KIND CONTRIBUTIONS

The Center received in-kind contributions in the amount of \$19,256 and \$22,406 for a fundraiser during the years ended June 30, 2004 and 2003, respectively.

NOTE 8 – RESTRICTIONS ON NET ASSETS

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

	<u>2004</u>	<u>2003</u>
Property for housing program	\$ 405,227	\$ 421,114
Unconditional promises to give for future periods	<u>18,050</u>	<u>23,050</u>
	<u>\$ 423,277</u>	<u>\$ 444,164</u>

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

	<u>2004</u>	<u>2003</u>
Clubhouse	\$ 155,213	\$ 155,213
Safe Havens	<u>232,366</u>	<u>232,366</u>
	<u>\$ 387,579</u>	<u>\$ 387,579</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Center receives a substantial amount of its support from Premier Behavioral Health. In the event of a significant reduction in the level of this support, the Organization's programs and activities could be affected.

NOTE 10 – CONCENTRATIONS OF CREDIT RISKS

During the fiscal year, the Center's cash and cash equivalent balances exceeded federally insured limits. In management's opinion, the risks relating to the deposits is minimal.

PARK CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004 and 2003

NOTE 11 – CHARITABLE TRUST

The Center has been named as a beneficiary of a charitable remainder trust. Amounts to be received from the trust are not presently determinable. As a result, no amounts have been recorded in the accompanying financial statements related to the charitable remainder trust.

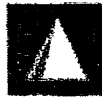
SUPPLEMENTARY DATA

PARK CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the year ended June 30, 2004

	<u>CFDA No.</u>	<u>Pass through Grantor's Number</u>	<u>Balance Receivable June 30, 2003</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance Receivable June 30, 2004</u>
FEDERAL GRANTOR/ PASS THROUGH GRANTOR						
<u>FEDERAL AWARDS</u>						
<u>U.S. Department of Housing and Urban Development</u>						
Supportive Housing Program	14.235	TN37B204007	\$ -	\$ 115,416	\$ 115,416	\$ -
Total U.S. Department of Housing and Urban Development			-	115,416	115,416	-
<u>U.S. Department of Education</u>						
Rehabilitation Services - Vocational Rehabilitation	84.126	GR-02-14087-01	18,675	18,675	-	-
Rehabilitation Services - Vocational Rehabilitation	84.126	GR-99-13528-02	3,944	3,944	-	-
Rehabilitation Services - Vocational Rehabilitation	84.126	GR-01-13528-03	-	17,358	17,358	-
Rehabilitation Services - Vocational Rehabilitation	84.126	GR-01-13364-00	4,877	4,877	-	-
Total U.S. Department of Education			27,496	44,854	17,358	-
<u>U.S. Department of Health and Human Services</u>						
Block Grants for Community Mental Health Services	93.958	GR-03-14895-00	9,621	9,621	-	-
Block Grants for Community Mental Health Services	93.958	GR-03-15404-00	-	24,373	32,923	8,550
Total U.S. Department of Health and Human Services			9,621	33,994	32,923	8,550
Total Federal Awards			\$ 37,117	\$ 194,264	\$ 165,697	\$ 8,550

PARK CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the year ended June 30, 2004

	<u>CFDA No.</u>	<u>Pass through Grantor's Number</u>	<u>Balance Receivable June 30, 2003</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance Receivable June 30, 2004</u>
<u>STATE AWARDS</u>						
<u>Department of Mental Health and Developmental</u>						
<u>Disabilities, State of Tennessee</u>						
Creating Homes Initiative		GR-03-14796-00	\$ 15,711	\$ 15,711	\$ -	\$ -
Creating Homes Initiative		GR-04-15460-00	-	83,979	93,838	9,859
Creating Homes Initiative - Regional Housing		GR-03-14788-00	11,749	11,749	-	-
Creating Homes Initiative - Regional Housing		GR-04-15402-00	-	55,649	65,871	10,222
Creating Homes Initiative - Emergency Shelter		GR-04-15402-00	-	14,285	14,285	-
Supportive Housing Program		GR-03-14895-00	32,479	32,479	-	-
Supportive Housing Program		GR-04-15402-00	-	102,441	121,888	19,447
Total State Awards			<u>59,939</u>	<u>316,293</u>	<u>295,882</u>	<u>39,528</u>
Total Federal and State Awards			<u>\$ 97,056</u>	<u>\$ 510,557</u>	<u>\$ 461,579</u>	<u>\$ 48,078</u>



FRASIER, DEAN & HOWARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Park Center

We have audited the financial statements of Park Center (a nonprofit organization) as of and for the year ended June 30, 2004, and have issued our report thereon dated August 20, 2004. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Park Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Park Center in a separate letter dated August 20, 2004.

This report is intended solely for the information and use of the audit committee, management and others within the organization 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.

Fraser, Dean & Howard, PLLC

August 20, 2004