PARK CENTER

FINANCIAL STATEMENTS

June 30, 2011

PARK CENTER

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INDEPENDENT AUDITOR'S REPORT

To 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, 2011, 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 $1,589,000 as of June 30, 2011. There would be approximately a $25,000 decrease on the change in net assets for the year ended June 30, 2011.

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, 2011, 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 November 16, 2011 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 basic financial statements. The 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 basic 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 basic financial statements as a whole.

Frasier, Dean & Howard, PLLC

Nashville, Tennessee
November 16, 2011

PARK CENTER
STATEMENT OF FINANCIAL POSITION
June 30, 2011

Assets

Current assets:	
Cash and cash equivalents	$ 1,227,904
Accounts receivable, net	171,533
Grants receivable	319,724
Prepaid expenses	13,400
Total current assets	1,732,561
Investments	388,855
Property and equipment, net	4,731,264
Total assets	$ 6,852,680

Liabilities and Net Assets

Current liabilities:	
Accounts payable and accrued expenses	$ 237,730
Current portion of long-term debt	37,158
Total current liabilities	274,888
Long-term debt, net of current portion	478,435
Total liabilities	753,323
Net assets:	
Unrestricted:	
Undesignated	4,670,789
Board designated	776,434
Total unrestricted	5,447,223
Temporarily restricted	652,134
Total net assets	6,099,357
Total liabilities and net assets	$ 6,852,680

See accompanying notes.

PARK CENTER
STATEMENT OF ACTIVITIES
For the year ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Public support and revenues:			
Public support:			
Grants and contracts	$ 4,062,680	$ 134,033	$ 4,196,713
Contributions	241,846	7,728	249,574
Total public support	4,304,526	141,761	4,446,287
Revenues:			
Rental income	441,129	-	441,129
Food service fees	16,864	-	16,864
Investment and interest income	70,669	-	70,669
Other	8,052	-	8,052
Net assets released from restrictions	98,281	(98,281)	-
Total revenues	634,995	(98,281)	536,714
Total public support and revenues	4,939,521	43,480	4,983,001
Expenses:			
Program services	3,967,070	-	3,967,070
Supporting services:			
Management and general	888,268	-	888,268
Fundraising	99,071	-	99,071
Total supporting services	987,339	-	987,339
Total expenses	4,954,409	-	4,954,409
Change in net assets	(14,888)	43,480	28,592
Net assets - beginning of year	5,462,111	608,654	6,070,765
Net assets - end of year	$ 5,447,223	$ 652,134	$ 6,099,357

See accompanying notes.

PARK CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2011

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
Personnel services	$ 2,237,469	$ 501,637	$ 66,895	$ 2,806,001
Fringe benefits	251,326	62,164	9,770	323,260
Payroll taxes	172,767	38,218	4,478	215,463
Total personnel costs	2,661,562	602,019	81,143	3,344,724
Contract services	156,515	133,743	863	291,121
Utilities	192,110	20,129	-	212,239
Rental and maintenance	180,042	4,601	1,240	185,883
Food and beverage	118,983	1,242	4,761	124,986
Insurance	45,468	55,370	-	100,838
Telephone	56,860	6,078	439	63,377
Rent	60,598	-	1,043	61,641
Professional fees	17,035	43,540	340	60,915
Program services	47,262	-	-	47,262
Travel	44,246	1,534	265	46,045
Member expenses	32,280	-	219	32,499
Office supplies	24,757	4,721	1,660	31,138
Vehicle expense	27,566	-	-	27,566
Conferences and meetings	22,037	3,908	-	25,945
Janitorial supplies	22,244	-	-	22,244
Interest	18,058	-	-	18,058
Small equipment purchases	13,046	879	-	13,925
Certifications and accreditations	6,746	1,949	390	9,085
Miscellaneous	1,494	3,516	3,359	8,369
Printing and publications	4,477	1,745	1,783	8,005
Taxes and licenses	5,455	907	325	6,687
Postage and shipping	766	1,787	1,104	3,657
Fundraising - special events	1,198	600	-	1,798
Medical supplies	614	-	-	614
Total expense before depreciation	3,761,419	888,268	98,934	4,748,621
Depreciation	205,651	-	137	205,788
Total expenses	$ 3,967,070	$ 888,268	$ 99,071	$ 4,954,409

See accompanying notes.

PARK CENTER
STATEMENT OF CASH FLOWS
For the year ended June 30, 2011

Cash flows from operating activities:	
Change in net assets	$ 28,592
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	205,788
Realized and unrealized gain on investment	(67,177)
Changes in operating assets and liabilities:	
Accounts receivable	(3,857)
Grants receivable	38,724
Prepaid expenses	2,641
Accounts payable and accrued expenses	(95,719)
Deferred revenue	(100,000)
Net cash provided by operating activities	8,992
Cash flows from investing activities:	
Sale of investments	32,379
Purchase of property and equipment	(150,841)
Net cash used in investing activities	(118,462)
Cash flows from financing activities:	
Payments on long-term debt	(35,951)
Net cash used in financing activities	(35,951)
Net decrease in cash and cash equivalents	(145,421)
Cash and cash equivalents - beginning of year	1,373,325
Cash and cash equivalents - end of year	$ 1,227,904
Supplemental disclosure:	
Interest paid	$ 18,058

See accompanying notes.

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. The Center's major sources of revenue are government grants and contracts with behavioral health organizations.

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 ("GAAP"). Financial statement presentation is in accordance with standards of accounting and financial reporting prescribed for not-for-profit organizations within the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"). Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Unrestricted Net Assets

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

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

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.

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

Accounts Receivable

Client service revenue is reported at the estimated net realizable value from third-party payers in the period services are rendered. Management provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the collectability of accounts receivable. Based on collection experience and management's review, no allowance for doubtful accounts is considered necessary at June 30, 2011.

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

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

Fair Values (Continued)

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.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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 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.

The Center follows FASB ASC guidance concerning the accounting for income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Center does not believe there are any uncertain tax positions at June 30, 2011. 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, 2008 through June 30, 2011.

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

Subsequent Events

The Center evaluated subsequent events through November 16, 2011 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, 2011:

Short-term investments	$ 56,952
Bond mutual funds:	
Large value funds	51,097
Large growth funds	53,795
Foreign large blend funds	43,127
Mid-cap blend funds	17,758
Small blend funds	18,873
Real estate funds	10,402
Diversified emerging markets funds	8,951
Inflation protected bond funds	59,740
Stock ETF / ETN funds:	
Small cap index funds	8,551
High yield bond funds	14,234
Specialty ETF / ETN funds:	
World bond funds	15,418
Common stocks:	
Mortgage investment	5,118
Home furnishings and fixtures	6,071
REIT – healthcare facilities	666
Commodities industrial materials	18,102
	$ 388,855

NOTE 2 – INVESTMENTS (Continued)

The following schedule summarizes the investment income in the statement of activities for the year ended June 30, 2011:

Interest and dividend income (including interest on cash and cash equivalents)	$ 3,492
Net unrealized and realized gain on investments	67,177
	$ 70,669

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, 2011:

Land and land improvements	$ 615,360
Buildings and building improvements	5,667,342
Equipment and furniture	151,690
Vehicles	55,192
	6,489,584
Less: accumulated depreciation	(1,758,320)
	$ 4,731,264

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.

NOTE 3 – PROPERTY AND EQUIPMENT (Continued)

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

The net asset value of the buildings and land acquired under these agreements in the amount of $631,848 at June 30, 2011, is included as temporarily restricted net assets.

NOTE 4 – ACCRUED EXPENSES

Employees of the Center are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation, but not for accumulated sick leave. Accordingly, vacation pay is accrued and recognized as an expense in the period earned by employees. Accrued vacation pay included in accrued expenses was $114,512 at June 30, 2011.

NOTE 5 – LINE OF CREDIT

During fiscal 2011, the Center maintained a revolving line of credit in the amount of $475,000 from a financial institution. Amounts drawn on the line of credit are due on demand and bear interest at the prime rate. This arrangement is secured by the Center’s deposits with the financial institution, accounts receivable, and property and equipment. There were no outstanding borrowings at June 30, 2011.

NOTE 6 – LONG-TERM DEBT

Long-term debt is as follows at June 30, 2011:

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, 2011), maturing December 2014.	$ 181,662
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.	157,959

NOTE 6 – LONG-TERM DEBT (Continued)

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.	175,972
	515,593
Less amount shown as current portion	(37,158)
Long-term debt, non-current portion	$ 478,435

Annual principal maturities of the above obligations are as follows:

Year Ending June 30,	
2012	$ 37,158
2013	199,590
2014	31,724
2015	32,658
2016	33,625
Thereafter	180,838
	$ 515,593

NOTE 7 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2011:

Property for housing program	$ 631,848
Contributions restricted for programs	7,728
Contributions restricted for center renovation	12,558
	$ 652,134

Designated net assets of the Center are available for the following purposes at June 30, 2011:

Clubhouse	$ 155,213
Housing	232,366
Future needs	64,444
Board designated endowment	324,411
	$ 776,434

NOTE 8 – BOARD DESIGNATED ENDOWMENT FUND

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions. The Uniform Prudent Management Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The Board of Directors has interpreted the UPMIFA as requiring that the Center classify as permanently restricted net assets a) the original value of donor-restricted gifts to the permanent endowment, b) the original value of subsequent donor-restricted gifts to the permanent endowment, and c) accumulations (interest, dividends, capital gain/loss) to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently 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, 2011. The Board, however, has designated certain assets to serve as an endowment.

Endowment Net Asset Composition by Type of Fund as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	$ 324,411	$ -	$ -	$ 324,411

Changes in Endowment Net Assets for the fiscal year ended June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 300,000	$ -	$ -	$ 300,000
Investment return:				
Net appreciation (realized and unrealized)	24,411	-	-	24,411
Endowment net assets, end of year	$ 324,411	$ -	$ -	$ 324,411

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

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

Any expenditures from board designated endowment assets require board approval.

NOTE 9 – 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, 2011 was $94,338.

NOTE 10 – 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 11 – CONCENTRATIONS OF CREDIT RISK

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

NOTE 12 – 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. The Center provides management services for Haley's Park, Inc. As a result of this arrangement, the Center has recorded an outstanding receivable of approximately $13,000 at June 30, 2011.

SUPPLEMENTAL INFORMATION

PARK CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2011

	CFDA No.	Pass through Grantor's Number	Balance Receivable June 30, 2010	Receipts	Expenditures	Balance Receivable June 30, 2011
Federal Awards:						
U.S. Department of Health & Human Services,						
Substance Abuse & Mental Health Services Administration	93.243	N/A	$ 67,548	$ 67,548	$ -	$ -
Substance Abuse & Mental Health Services Administration	93.243	N/A	-	379,877	466,643	86,766
Total Program 93.243 *			67,548	447,425	466,643	86,766
U.S. Department of Housing and Urban Development						
Commuity Redevelopment Block Grant						
Neighborhood Stabilization Program	14.218	N/A	-	66,100	66,100	-
Home Investment Partnership Program	14.239 *	N/A	-	-	67,933	67,933
U.S. Department of Housing and Urban Development						
Emergency Shelter Program	14.231	N/A	-	24,000	24,000	-
U.S. Department of Housing and Urban Development, passed through State of Tenneessee,						
Emergency Shelter Program	14.231	ESG-10-20	-	14,286	14,286	-
Total Program 14.231			-	38,286	38,286	-
U.S. Department of Education, passed through State of Tennessee						
Rehabilitation Services - Vocational	84.126	GR-10-28630	2,969	2,969	-	-
Rehabilitation Services - Vocational	84.126	GR-10-28630-01	-	23,765	25,600	1,835
Total Program 84.126			2,969	26,734	25,600	1,835
U.S. Department of Health & Human Services, passed through State of Tenneessee						
Block Grants for Community Mental Health Services						
Regional Housing Facilitator	93.958	GR-11-31918	-	63,925	72,405	8,480
Community Targeted Transitional Support	93.958	GR-11-31916	-	24,840	30,000	5,160
Assisted Living Housing	93.958	GR-11-31915	-	25,601	33,637	8,036

PARK CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (Continued)
For the year ended June 30, 2011

	CFDA No.	Pass through Grantor's Number	Balance Receivable June 30, 2010	Receipts	Expenditures	Balance Receivable June 30, 2011
Federal Awards:						
U.S. Department of Health & Human Services, passed through State of Tenneessee (continued)						
Comsumer Housing Specialist	93.958	GR-11-31888	-	56,225	62,642	6,417
Total Program 93.958			-	170,591	198,684	28,093
Civil Rights & Privacy Rule Compliance	93.001	7514-GR1028483	7,661	7,661	-	-
U.S. Department of Housing and Urban Development passed through State of Tenneessee						
Supportive Housing Program	14.235	TN0066B4J040801	20,985	20,985	-	-
Supportive Housing Program	14.235	TN0066B4J040802	-	124,080	124,080	-
Total Program 14.235			20,985	145,065	124,080	-
Total Federal Awards			**99,163**	**901,862**	**987,326**	**184,627**
State Awards:						
Department of Mental Health and Developmental Disabilities State of Tenneessee						
Homes and Other Programs	N/A	33901-28210	100,931	100,931	-	-
Community Supportive Housing	N/A	GR-11-31912	-	391,515	438,575	47,060
Transitional Youth Services	N/A	33901-26010	122,729	122,729	-	-
Transitional Youth Services	N/A	GR-11-31919	-	540,926	598,000	57,074
Co-Occurring Disorders Case Management	N/A	15966	4,036	4,036	-	-
Behavioral Health Safety Net Program	N/A	GR-10-28413	6,423	6,423	-	-
Behavioral Health Safety Net Program	N/A	GR-11-31356-01	-	58,044	63,382	5,338
Regional Housing Facilitator	N/A	33901-26810	14,812	14,812	-	-
Consumer Housing Specialist	N/A	7514-GR1028483	10,354	10,354	-	-
Total State Awards			**259,285**	**1,249,770**	**1,099,957**	**109,472**
Total Federal and State Awards			**$ 358,448**	**$ 2,151,632**	**$ 2,087,283**	**$ 294,099**

* Indicates a major program

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, 2011. The schedule is presented using the accrual basis of accounting.

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

To the Board of 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, 2011, and have issued our report thereon dated November 16, 2011, which expresses a qualified opinion due the effects of not consolidating Haley's Park, Inc. and Park Center Housing Development Corporation. 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 a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2011-1 that we consider to be a significant deficiency 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.

Frasier, Dean & Howard, PLLC • 3310 West End Avenue, Suite 550 • Nashville, Tennessee 37203-1089 • 615. 383.6592 • *fax* 615. 383.7094 • www.fdhcpa.com

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*.

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, Dean & Howard, PLLC

Nashville, Tennessee
November 16, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To 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 could have a direct and material effect on each of Park Center's major federal programs for the year ended June 30, 2011. 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 of laws, regulations, contracts, and grants applicable to each of its major federal programs 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 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Frasier, Dean & Howard, PLLC • 3310 West End Avenue, Suite 550 • Nashville, Tennessee 37203-1089 • 615.383.6592 • *fax* 615.383.7094 • www.fdhcpa.com

Internal Control Over Compliance

Management of Park Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. 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 to determine the 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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-2. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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, Dean & Howard, PLLC

Nashville, Tennessee
November 16, 2011

PARK CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2011

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses a qualified opinion on the financial statements of Park Center.

2. One significant deficiency disclosed during the audit of the financial statements is 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 condition is not considered to be a material weakness.

3. No instances of noncompliance material to the financial statements of Park Center were disclosed during the audit.

4. One significant deficiency in internal control over major federal programs disclosed during the audit is reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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	Name of Federal Program or Cluster
93.243	Substance Abuse and Mental Health Services Administration
14.239	Home Investment Partnership Program

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, 2011

FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

2011-1 Financial Statement Reporting - Consolidation

Statement of Condition: The Center does not consolidate its financial statements with Haley's Park, Inc. and Park Center Housing Development Corporation, 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 accounting principles generally accepted in the United States of America.

Material Weakness

None

FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. Department of Health and Human Services – CFDA No. 93.243
Grant No. TI018772-03, year ended June 30, 2011

		Questioned Costs
2011-2	**Reporting** **Statement of Condition:** The Federal Financial report, SF-425, was not filed timely for the budget year ended September 30, 2010.	N/A
	Criteria: SF-425 is to be filed 90 days after the end of the grant budget period.	
	Cause: The Center was not aware of the requirement.	
	Effect of Condition: Failure to submit reports when due could be a violation of the terms and conditions of the grant.	
	Auditor's Recommendation: We recommend that all reports required by the grant be filed on a timely basis.	

PARK CENTER
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the year ended June 30, 2011

2010-1 **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.

2010-2 **Statement of Condition**: The Center does not consolidate its financial statements with Haley's Park, Inc. and Park Center Housing Development Corporation, 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.

Park Center
Recovery From Mental Illness

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 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

November 16, 2011

U.S. Department of Health and Human Services

Park Center respectfully submits the following corrective action plan for the year ended June 30, 2011.

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, 2010 – June 30, 2011

The findings from the June 30, 2011 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

2011-1 Financial Statement Reporting - Consolidation

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

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.

Material Weakness

None

Park Center restores hope, provides opportunities and promotes recovery of persons with mental illness through holistic services that focus on their needs, choices and strengths.

CORRECTIVE ACTION PLAN (CONTINUED)

FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. Department of Health and Human Services

2011-2 Reporting

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

Action Taken: The Center filed the SF-425 promptly upon notification by the grantor. Since that time, all other financial reports have been filed timely.

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,

Barbara Quinn

Barbara Quinn