PARK CENTER AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015 and 2014

PARK CENTER AND AFFILIATE

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FRASIERDEAN HOWARDCPAs

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Park Center (a nonprofit organization) and affiliate, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Park Center and affiliate as of June 30, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 21 through 24 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Frasier, Dean + Howard, PLLC

Nashville, Tennessee
September 15, 2015

PARK CENTER AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$ 2,045,470	$ 1,762,470
Accounts receivable	284,531	231,717
Grants receivable	356,811	373,748
Prepaid expenses	18,286	19,004
Total current assets	2,705,098	2,386,939
Investments	499,395	491,516
Property and equipment, net	5,754,204	6,051,364
Total assets	$ 8,958,697	$ 8,929,819
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 320,100	$ 412,038
Current portion of long-term debt	43,579	256,103
Total current liabilities	363,679	668,141
Long-term debt, net of current portion	313,431	142,955
Total liabilities	677,110	811,096
Net assets:		
Unrestricted:		
Undesignated	4,948,098	4,652,685
Board designated	886,974	879,095
Total unrestricted	5,835,072	5,531,780
Temporarily restricted	2,446,515	2,586,943
Total net assets	8,281,587	8,118,723
Total liabilities and net assets	$ 8,958,697	$ 8,929,819

See accompanying notes.

PARK CENTER AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Public support and revenues:			
Public support:			
Grants and contracts	$ 4,091,658	$ -	$ 4,091,658
Contributions	238,907	70,909	309,816
Total public support	4,330,565	70,909	4,401,474
Revenues:			
Rental income	536,246	-	536,246
Gain on sale of property	239,143	-	239,143
Food service fees	19,605	-	19,605
Investment and interest income, net	9,287	-	9,287
Other	3,521	-	3,521
Total revenues	807,802	-	807,802
Net assets released from restrictions	211,337	(211,337)	-
Total public support and revenues	5,349,704	(140,428)	5,209,276
Expenses:			
Program services	4,109,587	-	4,109,587
Supporting services:			
Management and general	791,228	-	791,228
Fundraising	145,597	-	145,597
Total supporting services	936,825	-	936,825
Total expenses	5,046,412	-	5,046,412
Change in net assets	303,292	(140,428)	162,864
Net assets - beginning of year	5,531,780	2,586,943	8,118,723
Net assets - end of year	$ 5,835,072	$ 2,446,515	$ 8,281,587

See accompanying notes.

PARK CENTER AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Public support and revenues:			
Public support:			
Grants and contracts	$ 3,554,889	$ 25,312	$ 3,580,201
Contributions	258,509	126,596	385,105
Total public support	3,813,398	151,908	3,965,306
Revenues:			
Rental income	539,979	-	539,979
Food service fees	16,481	-	16,481
Investment and interest income, net	60,734	-	60,734
Other	3,800	-	3,800
Total revenues	620,994	-	620,994
Net assets released from restrictions	81,174	(81,174)	-
Total public support and revenues	4,515,566	70,734	4,586,300
Expenses:			
Program services	4,030,323	-	4,030,323
Supporting services:			
Management and general	800,458	-	800,458
Fundraising	152,011	-	152,011
Total supporting services	952,469	-	952,469
Total expenses	4,982,792	-	4,982,792
Change in net assets	(467,226)	70,734	(396,492)
Net assets - beginning of year	5,999,006	2,516,209	8,515,215
Net assets - end of year	$ 5,531,780	$ 2,586,943	$ 8,118,723

See accompanying notes.

PARK CENTER AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
Personnel services	$ 2,178,839	$ 464,369	$ 87,628	$ 2,730,836
Fringe benefits	319,716	60,095	11,976	391,787
Payroll taxes	165,263	33,983	6,537	205,783
Total personnel costs	2,663,818	558,447	106,141	3,328,406
Rental and maintenance	261,985	43,437	8,176	313,598
Utilities	225,168	504	-	225,672
Professional fees	93,490	56,776	8,657	158,923
Food and beverage	116,570	2,265	7,110	125,945
Insurance	51,284	64,472	-	115,756
Rent	64,419	-	3,303	67,722
Contract services	54,282	2,063	-	56,345
Telephone	40,241	11,790	464	52,495
Program services	43,088	-	-	43,088
Member expenses	42,043	-	-	42,043
Miscellaneous	6,144	28,050	3,014	37,208
Vehicle expense	37,011	-	-	37,011
Certifications and accreditations	21,102	12,300	585	33,987
Office supplies	23,931	5,074	452	29,457
Travel	24,615	2,911	789	28,315
Janitorial supplies	24,488	-	-	24,488
Small equipment purchases	19,821	-	-	19,821
Taxes and licenses	14,667	22	262	14,951
Interest	12,536	-	-	12,536
Printing and publications	1,433	1,714	4,145	7,292
Postage and shipping	672	1,403	2,499	4,574
Medical supplies	3,495	-	-	3,495
Total expense before depreciation	3,846,303	791,228	145,597	4,783,128
Depreciation	263,284	-	-	263,284
Total expenses	$ 4,109,587	$ 791,228	$ 145,597	$ 5,046,412

See accompanying notes.

PARK CENTER AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
Personnel services	$ 2,189,962	$ 443,305	$ 97,287	$ 2,730,554
Fringe benefits	283,197	61,805	10,564	355,566
Payroll taxes	165,232	33,827	6,906	205,965
Total personnel costs	2,638,391	538,937	114,757	3,292,085
Rental and maintenance	303,589	38,320	8,050	349,959
Utilities	236,477	536	-	237,013
Food and beverage	155,528	2,146	10,502	168,176
Insurance	35,282	86,123	-	121,405
Professional fees	47,973	63,290	2,246	113,509
Rent	59,726	-	2,500	62,226
Telephone	38,771	10,927	485	50,183
Miscellaneous	7,201	29,209	4,450	40,860
Contract services	26,868	4,712	-	31,580
Member expenses	31,458	-	-	31,458
Vehicle expense	28,911	121	-	29,032
Program services	27,105	-	-	27,105
Office supplies	20,556	5,123	811	26,490
Certifications and accreditations	10,169	15,015	245	25,429
Janitorial supplies	23,072	-	-	23,072
Travel	16,683	2,871	810	20,364
Taxes and licenses	16,225	126	322	16,673
Small equipment purchases	12,992	405	-	13,397
Interest	12,628	-	-	12,628
Printing and publications	2,195	1,310	5,223	8,728
Postage and shipping	646	1,110	1,610	3,366
Conferences and meetings	2,378	177	-	2,555
Medical supplies	1,935	-	-	1,935
Total expense before depreciation	3,756,759	800,458	152,011	4,709,228
Depreciation	273,564	-	-	273,564
Total expenses	$ 4,030,323	$ 800,458	$ 152,011	$ 4,982,792

See accompanying notes.

PARK CENTER AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 162,864	$ (396,492)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	263,284	273,564
Gain on sale of property	(239,143)	-
Net realized and unrealized gain on investments	12,044	(45,095)
Changes in operating assets and liabilities:		
Accounts receivable	(52,814)	(55,185)
Grants receivable	16,937	(232,892)
Prepaid expenses	718	(5,478)
Accounts payable and accrued expenses	(91,938)	134,761
Net cash provided by (used in) operating activities	71,952	(326,817)
Cash flows from investing activities:		
Purchases of investments	(19,923)	(14,157)
Proceeds from sale of property	335,689	-
Purchases of property and equipment	(62,670)	(63,309)
Net cash provided by (used in) investing activities	253,096	(77,466)
Cash flows from financing activities:		
Payments on long-term debt	(42,048)	(40,402)
Net cash used in financing activities	(42,048)	(40,402)
Net increase (decrease) in cash and cash equivalents	283,000	(444,685)
Cash and cash equivalents - beginning of year	1,762,470	2,207,155
Cash and cash equivalents - end of year	$ 2,045,470	$ 1,762,470
Supplemental disclosure:		
Interest paid	$ 12,536	$ 12,628

See accompanying notes.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Principles of Consolidation

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

Basis of Presentation

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

Unrestricted Net Assets

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

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

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

Basis of Presentation (Continued)

Temporarily Restricted Net Assets

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

Cash and Cash Equivalents

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

Accounts Receivable

Client service revenue is reported at the estimated net realizable value from third-party payers in the period services are rendered. Management provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the collectability of accounts receivable. Based on collection experience and management's review, no allowance for doubtful accounts is considered necessary at June 30, 2015 and 2014.

Investments

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

Fair Values

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

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

Fair Values (Continued)

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

The three levels are explained as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Unconditional Promises to Give

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

Donated Services

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

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

Expense Allocation

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

Estimates

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

Endowment Funds

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

Income Taxes

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

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

Income Taxes (Continued)

The Center follows FASB ASC guidance concerning the accounting for income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit (liability) to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Center does not believe there are any uncertain tax positions at June 30, 2015 and 2014. Additionally, the Center has not recognized any tax related interest and penalties in the accompanying consolidated financial statements. Federal tax years that remain open for examination include the years ended June 30, 2012 through June 30, 2015.

Unemployment Claims

Rather than providing for future unemployment claims by paying the state unemployment insurance tax, the Center has elected to be a reimbursing employer. Reimbursing employers pay actual approved claims as they occur, plus an administrative fee. The Center is not currently aware of any pending claims.

Subsequent Events

The Center evaluated subsequent events through September 15, 2015 when these consolidated financial statements were available to be issued. Management of the Center is not aware of any significant events that occurred subsequent to the consolidated statement of financial position date but prior to the filing of this report that would have a material impact on the consolidated financial statements.

NOTE 2 – INVESTMENTS

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

	2015	2014
Short-term investments	$ 65,543	$ 61,453
Mutual funds:		
Intermediate term bond funds	107,012	51,529
Large value funds	42,271	45,062
Large growth funds	41,758	35,384
Large blend funds	41,511	95,539
Foreign large value funds	29,999	-

NOTE 2 – INVESTMENTS (Continued)

Mutual funds (Continued):		
Real estate funds	29,322	28,224
Foreign large blend funds	22,680	21,130
Foreign large growth funds	22,553	21,451
Small blend funds	22,007	29,529
Mid-cap blend funds	20,090	27,740
Diversified emerging markets funds	10,608	5,610
Bank loan funds	-	17,621
Inflation protected bond funds	-	9,114
ETF funds:		
High yield bond funds	21,975	15,072
Specialty ETF funds:		
World bond funds	-	7,441
Common stocks:		
Home furnishings and fixtures	12,121	8,536
Mortgage investment	7,694	9,392
REIT – healthcare facilities	1,682	1,689
Telecommunications	569	-
	$ 499,395	$ 491,516

The following schedule summarizes investment income in the consolidated statements of activities for the years ended June 30:

	2015	2014
Interest and dividend income (including interest on cash and cash equivalents)	$ 21,331	$ 15,639
Net unrealized and realized (loss) gain on investments	(12,044)	45,095
	$ 9,287	$ 60,734

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 property 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.

NOTE 3 – PROPERTY AND EQUIPMENT (Continued)

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

	2015	2014
Land and land improvements	$ 598,360	$ 598,360
Buildings and building improvements	7,714,808	7,837,713
Equipment and furniture	80,666	80,666
Vehicles	112,273	112,273
	8,506,107	8,629,012
Less: accumulated depreciation	(2,751,903)	(2,577,648)
	$ 5,754,204	$ 6,051,364

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

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

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

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

In April 2015, the Center sold one of the properties obtained under an agreement with the U.S. Department of Housing and Urban Development. Under the agreement, the Center was committed to

NOTE 3 – PROPERTY AND EQUIPMENT (Continued)

operate the housing program for twenty years. The Center obtained approval to terminate the agreement early from the government agency. The net asset value of the property was released from temporarily restricted net asset upon sale of the property during the year ended June 30, 2015.

The net asset value of the buildings, building improvements, and land acquired under these agreements in the amount of $764,746 and $856,189 at June 30, 2015 and 2014, respectively, is included as temporarily restricted net assets.

In July 2013, the Center was awarded a van by the Department of Transportation. The Center is required to use the van to provide transportation services for the elderly and disabled for four years. The net asset value of the van is $13,850 and $25,312 at June 30, 2015 and 2014, respectively, and 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 $110,161 and $100,278 at June 30, 2015 and 2014, respectively.

NOTE 5 – SHORT-TERM FINANCING ARRANGEMENTS

During fiscal 2015 and 2014, 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. This arrangement is secured by the Center's deposits with the financial institution, accounts receivable, and property and equipment. The note bears interest at the prime rate plus 2% (5.25% at June 30, 2015) without a specified maturity date. The note is secured by all deposits and investments of the Center. There were no borrowings outstanding under this arrangement at June 30, 2015 and 2014.

NOTE 6 – LONG-TERM DEBT

Long-term debt is as follows at June 30:

	2015	2014
Mortgage note payable to a financial institution payable in monthly principal installments of $1,137, secured by building and land on Woodland Street, interest at 0%, maturing March 2020.	$ 133,031	$ 143,937
Mortgage note payable to an organization payable in monthly principal and interest installments of $1,960, secured by land, interest at 4.0%, maturing May 2019.	81,785	103,220

NOTE 6 – LONG-TERM DEBT (Continued)

Mortgage note payable to an organization payable in monthly principal and interest installments of $1,320, secured by land, interest at 4.0%, maturing September 2017.	142,194	151,901
	357,010	399,058
Less amount shown as current portion	(43,579)	(256,103)
Long-term debt, non-current portion	$ 313,431	$ 142,955

Annual principal maturities of the above obligations are as follows:

Year Ending June 30,	
2016	$ 43,579
2017	44,800
2018	159,178
2019	30,999
2020	78,454
Thereafter	-
	$ 357,010

NOTE 7 – CAPITAL ADVANCE

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

NOTE 8 – RESTRICTIONS ON NET ASSETS

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

	2015	2014
Housing for individuals with disabilities - Haley's Park	$ 1,568,200	$ 1,568,200
Property for housing program	764,746	856,189
Contributions time restricted for operating	-	80,000
Contributions restricted for programs	88,269	45,115
Vehicle for program transportation	13,850	25,312
Contributions restricted for center renovation	11,450	12,127
	$ 2,446,515	$ 2,586,943

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

	2015	2014
Clubhouse	$ 155,213	$ 155,213
Housing	232,366	232,366
Future needs	76,494	73,509
Board designated endowment	422,901	418,007
	$ 886,974	$ 879,095

NOTE 9 – BOARD DESIGNATED ENDOWMENT FUND

As required by GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions. The Uniform Prudent Management of 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, 2015 and 2014. The board, however, has designated certain assets to serve as an endowment.

NOTE 9 – BOARD DESIGNATED ENDOWMENT FUND (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	$ 422,901	$ -	$ -	$ 422,901

Changes in Endowment Net Assets for the fiscal year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 418,007	$ -	$ -	$ 418,007
Investment return:				
Net appreciation (realized and unrealized)	4,894	-	-	4,894
Endowment net assets, end of year	$ 422,901	$ -	$ -	$ 422,901

Endowment Net Asset Composition by Type of Fund as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	$ 418,007	$ -	$ -	$ 418,007

Changes in Endowment Net Assets for the fiscal year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 362,086	$ -	$ -	$ 362,086
Investment return:				
Net appreciation (realized and unrealized)	55,921	-	-	55,921
Endowment net assets, end of year	$ 418,007	$ -	$ -	$ 418,007

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. Any expenditures from board designated endowment assets require board approval.

NOTE 9 – BOARD DESIGNATED ENDOWMENT FUND (Continued)

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.

NOTE 10 – PENSION PLAN

The Center has a non-contributory pension and retirement plan covering substantially all of its employees. The plan is a tax-deferred annuity plan with its participants owning all amounts held in their individual accounts. Pension expense for the years ended June 30, 2015 and 2014 was $88,272 and $82,088, respectively.

NOTE 11 – CONCENTRATIONS OF CREDIT RISK

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

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

SUPPLEMENTARY INFORMATION

PARK CENTER AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2015

	Park Center	Haley's Park	Consolidating Entries	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	$ 1,985,221	$ 60,249	$ -	$ 2,045,470
Accounts receivable	332,838	-	(48,307)	284,531
Grants receivable	356,811	-	-	356,811
Prepaid expenses	18,286	-	-	18,286
Total current assets	2,693,156	60,249	(48,307)	2,705,098
Investments	499,395	-	-	499,395
Property and equipment, net	4,385,321	1,368,883	-	5,754,204
Total assets	$ 7,577,872	$ 1,429,132	$ (48,307)	$ 8,958,697
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	$ 296,890	$ 71,517	$ (48,307)	$ 320,100
Current portion of long-term debt	43,579	-	-	43,579
Total current liabilities	340,469	71,517	(48,307)	363,679
Long-term debt, net of current portion	313,431	-	-	313,431
Total liabilities	653,900	71,517	(48,307)	677,110
Net assets:				
Unrestricted:				
Undesignated	5,158,683	(210,585)	-	4,948,098
Board designated	886,974	-	-	886,974
Total unrestricted	6,045,657	(210,585)	-	5,835,072
Temporarily restricted	878,315	1,568,200	-	2,446,515
Total net assets	6,923,972	1,357,615	-	8,281,587
Total liabilities and net assets	$ 7,577,872	$ 1,429,132	$ (48,307)	$ 8,958,697

See accompanying notes.

PARK CENTER AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Park Center	Haley's Park	Consolidating Entries	Consolidated
Public support and revenues:				
Public support:				
Grants and contracts	$ 4,065,928	$ 25,730	$ -	$ 4,091,658
Contributions	309,816	-	-	309,816
Total public support	4,375,744	25,730	-	4,401,474
Revenues:				
Rental income	498,820	37,426	-	536,246
Gain on sale of property	239,143	-	-	239,143
Food service fees	19,605	-	-	19,605
Investment and interest income, net	9,272	15	-	9,287
Other	3,521	-	-	3,521
Total revenues	770,361	37,441	-	807,802
Total public support and revenues	5,146,105	63,171	-	5,209,276
Expenses:				
Program services	4,019,234	90,353	-	4,109,587
Supporting services:				
Management and general	769,486	21,742	-	791,228
Fundraising	145,597	-	-	145,597
Total supporting services	915,083	21,742	-	936,825
Total expenses	4,934,317	112,095	-	5,046,412
Change in net assets	211,788	(48,924)	-	162,864
Net assets - beginning of year	6,712,184	1,406,539	-	8,118,723
Net assets - end of year	$ 6,923,972	$ 1,357,615	$ -	$ 8,281,587

See accompanying notes.

PARK CENTER AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2014

	Park Center	Haley's Park	Consolidating Entries	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	$ 1,707,238	$ 55,232	$ -	$ 1,762,470
Accounts receivable	270,365	-	(38,648)	231,717
Grants receivable	373,748	-	-	373,748
Prepaid expenses	19,004	-	-	19,004
Total current assets	2,370,355	55,232	(38,648)	2,386,939
Investments	491,516	-	-	491,516
Property and equipment, net	4,639,880	1,411,484	-	6,051,364
Total assets	$ 7,501,751	$ 1,466,716	$ (38,648)	$ 8,929,819
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	$ 390,509	$ 60,177	$ (38,648)	$ 412,038
Current portion of long-term debt	256,103	-	-	256,103
Total current liabilities	646,612	60,177	(38,648)	668,141
Long-term debt, net of current portion	142,955	-	-	142,955
Total liabilities	789,567	60,177	(38,648)	811,096
Net assets:				
Unrestricted:				
Undesignated	4,814,346	(161,661)	-	4,652,685
Board designated	879,095	-	-	879,095
Total unrestricted	5,693,441	(161,661)	-	5,531,780
Temporarily restricted	1,018,743	1,568,200	-	2,586,943
Total net assets	6,712,184	1,406,539	-	8,118,723
Total liabilities and net assets	$ 7,501,751	$ 1,466,716	$ (38,648)	$ 8,929,819

See accompanying notes.

PARK CENTER AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	Park Center	Haley's Park	Consolidating Entries	Consolidated
Public support and revenues:				
Public support:				
Grants and contracts	$ 3,557,198	$ 23,003	$ -	$ 3,580,201
Contributions	385,105	-	-	385,105
Total public support	3,942,303	23,003	-	3,965,306
Revenues:				
Rental income	502,790	37,189	-	539,979
Food service fees	16,481	-	-	16,481
Investment and interest income, net	60,726	8	-	60,734
Other	3,800	-	-	3,800
Total revenues	583,797	37,197	-	620,994
Total public support and revenues	4,526,100	60,200	-	4,586,300
Expenses:				
Program services	3,936,974	93,349	-	4,030,323
Supporting services:				
Management and general	779,046	21,412	-	800,458
Fundraising	152,011	-	-	152,011
Total supporting services	931,057	21,412	-	952,469
Total expenses	4,868,031	114,761	-	4,982,792
Change in net assets	(341,931)	(54,561)	-	(396,492)
Net assets - beginning of year	7,054,115	1,461,100	-	8,515,215
Net assets - end of year	$ 6,712,184	$ 1,406,539	$ -	$ 8,118,723

See accompanying notes.