

# 2015

## Financial Statements

THE ROCHELLE CENTER

FINANCIAL STATEMENTS

JUNE 30, 2015

WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2014

(With Independent Auditor's Report Thereon)

**THE ROCHELLE CENTER**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2014**

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## PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The Rochelle Center

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Rochelle Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year 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 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 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Rochelle Center as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited The Rochelle Center's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2015, on our consideration of The Rochelle 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Rochelle Center's internal control over financial reporting and compliance.

*Patterson Handley & Bellentine*

August 27, 2015

**THE ROCHELLE CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2014**

**ASSETS**

	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash	\$ 414,892	\$ 523,986
Investments	4,521	4,658
Receivables, net of allowance for doubtful accounts	320,675	305,437
Prepaid expenses	17,270	19,244
Total current assets	<u>757,358</u>	<u>853,325</u>
Property and Equipment:		
Land	41,051	41,051
Buildings	2,580,475	2,444,734
Equipment	1,415,123	1,392,729
	4,036,649	3,878,514
Less: accumulated depreciation	<u>(2,839,702)</u>	<u>(2,747,436)</u>
Total property and equipment, net	<u>1,196,947</u>	<u>1,131,078</u>
Assets Whose Use is Limited:		
Cash - designated by the board of directors	322,000	322,000
Restricted cash	82,917	40,666
Restricted investments - Community Foundation	8,540	8,464
Restricted buildings	153,203	178,736
Total assets whose use is limited	<u>566,660</u>	<u>549,866</u>
Total assets	<u><u>\$ 2,520,965</u></u>	<u><u>\$ 2,534,269</u></u>

See accompanying notes to the financial statements.



**THE ROCHELLE CENTER**  
**STATEMENT OF FINANCIAL POSITION (continued)**  
**JUNE 30, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2014**

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
Current Liabilities:		
Current installments of long-term debt	\$ 14,462	\$ 15,151
Accounts payable	32,215	35,973
Accrued expenses	210,056	372,853
Total current liabilities	<u>256,733</u>	<u>423,977</u>
Long-term debt, net of current installments	<u>254,168</u>	<u>335,081</u>
Total liabilities	<u>510,901</u>	<u>759,058</u>
Net Assets:		
Unrestricted:		
Undesignated	1,443,404	1,225,345
Board-designated	322,000	322,000
Total unrestricted net assets	<u>1,765,404</u>	<u>1,547,345</u>
Temporarily restricted	236,120	219,402
Permanently restricted	8,540	8,464
Total restricted net assets	<u>244,660</u>	<u>227,866</u>
Total net assets	<u>2,010,064</u>	<u>1,775,211</u>
Total liabilities and net assets	<u>\$ 2,520,965</u>	<u>\$ 2,534,269</u>

See accompanying notes to the financial statements.

**THE ROCHELLE CENTER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015	2014
Support and Revenues:					
Contributions	\$ 72,939	\$ 204,782	\$ -	\$ 277,721	\$ 78,908
United Way	4,272	-	-	4,272	35,334
Government grants and contracts	2,807,452	-	-	2,807,452	2,821,294
Supported employment	-	-	-	-	4,115
Program fees	108,886	-	-	108,886	107,230
Residential income	175,745	-	-	175,745	173,039
Workshop sales	178,139	-	-	178,139	171,487
Freight revenue	9,565	-	-	9,565	10,830
Special events	251,769	-	-	251,769	374,809
Interest and investment income, net	115	-	76	191	1,651
Miscellaneous	1,042	-	-	1,042	32,010
Net assets released from restrictions	162,531	(162,531)	-	-	-
Total support and revenues	3,772,455	42,251	76	3,814,782	3,810,707
Expenses:					
Program services:					
Developmental services	558,027	-	-	558,027	527,548
Residential services	1,610,413	-	-	1,610,413	1,700,382
Production center	745,246	-	-	745,246	865,264
Supported employment	72,138	-	-	72,138	84,370
Total program services	2,985,824	-	-	2,985,824	3,177,564
Supporting services:					
Management and general	349,793	-	-	349,793	360,039
Fundraising	244,312	-	-	244,312	257,709
Total supporting services	594,105	-	-	594,105	617,748
Total expenses	3,579,929	-	-	3,579,929	3,795,312
Increase (decrease) in net assets	192,526	42,251	76	234,853	15,395
Net assets - beginning of year	1,547,345	219,402	8,464	1,775,211	1,759,816
Reclassification	25,533	(25,533)	-	-	-
Net assets - end of year	\$ 1,765,404	\$ 236,120	\$ 8,540	\$ 2,010,064	\$ 1,775,211

See accompanying notes to the financial statements.



**THE ROCHELLE CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013**

	Program Services					
	<u>Developmental Services</u>		<u>Residential Services</u>		<u>Production Center</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Salaries	\$ 354,206	\$ 329,669	\$ 996,585	\$ 997,649	\$ 273,846	\$ 325,065
Payroll taxes and benefits	35,063	36,976	229,608	288,462	59,381	70,022
Total personnel costs	389,269	366,645	1,226,193	1,286,111	333,227	395,087
Bad debts	-	-	2,100	3,900	-	-
Communications	5,949	6,554	31,965	27,891	11,710	13,108
Contracted services	38,949	42,696	35,242	33,034	102,667	89,355
Dues and subscriptions	1,445	1,438	279	536	1,381	2,875
Insurance	31,306	26,811	15,683	19,146	15,539	18,273
Interest	12	-	17,259	18,843	-	-
Miscellaneous	3,398	3,088	9,898	22,189	8,099	5,805
Professional fees	2,705	1,326	10,501	8,266	5,235	5,497
Rent	2,658	2,620	2,640	2,881	4,884	5,273
Repairs and maintenance	18,773	12,041	61,610	85,706	14,040	22,696
Special events	-	-	19	-	-	-
Supplies	13,372	8,734	52,429	51,415	21,673	21,210
Travel and transportation	4,485	4,658	30,456	32,063	4,611	7,727
Utilities	20,926	22,921	57,880	59,229	29,721	31,390
Workshop wages and benefits	-	-	-	-	181,479	212,829
Depreciation	24,780	28,016	56,259	49,172	10,980	34,139
Total expenses	<u>\$ 558,027</u>	<u>\$ 527,548</u>	<u>\$ 1,610,413</u>	<u>\$ 1,700,382</u>	<u>\$ 745,246</u>	<u>\$ 865,264</u>

See accompanying notes to the financial statements.

**THE ROCHELLE CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Program Services</u>			
	<u>Supported Employment</u>		<u>Total Program Services</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Salaries	\$ 53,288	\$ 53,421	\$ 1,677,925	\$ 1,705,804
Payroll taxes and benefits	12,774	12,426	336,826	407,886
Total personnel costs	66,062	65,847	2,014,751	2,113,690
Bad debts	-	-	2,100	3,900
Communications	-	-	49,624	47,553
Contracted services	2,363	2,150	179,221	167,235
Dues and subscriptions	245	-	3,350	4,849
Insurance	1,172	2,913	63,700	67,143
Interest	-	-	17,271	18,843
Miscellaneous	480	1,461	21,875	32,543
Professional fees	85	-	18,526	15,089
Rent	-	-	10,182	10,774
Repairs and maintenance	618	1,017	95,041	121,460
Special events	-	-	19	-
Supplies	463	20	87,937	81,379
Travel and transportation	401	1,496	39,953	45,944
Utilities	-	-	108,527	113,540
Workshop wages and benefits	-	6,604	181,479	219,433
Depreciation	249	2,862	92,268	114,189
Total expenses	<u>\$ 72,138</u>	<u>\$ 84,370</u>	<u>\$ 2,985,824</u>	<u>\$ 3,177,564</u>

See accompanying notes to the financial statements.

**THE ROCHELLE CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014**

	Supporting Services					
	Management and General		Fundraising		Total Expenses	
	2015	2014	2015	2014	2015	2014
Salaries	\$ 248,600	\$ 256,876	\$ 52,625	\$ 35,638	\$ 1,979,150	\$ 1,998,318
Payroll taxes and benefits	67,311	69,941	14,531	9,386	418,668	487,213
Total personnel costs	315,911	326,817	67,156	45,024	2,397,818	2,485,531
Bad debts	-	-	-	-	2,100	3,900
Communications	-	-	-	-	49,624	47,553
Contracted services	643	378	-	-	179,864	167,613
Dues and subscriptions	690	500	72	13	4,112	5,362
Insurance	2,585	2,615	-	-	66,285	69,758
Interest	117	-	-	-	17,388	18,843
Miscellaneous	4,012	12,010	851	727	26,738	45,280
Professional fees	13,911	14,356	90	30	32,527	29,475
Rent	94	-	-	-	10,276	10,774
Repairs and maintenance	7,696	882	-	-	102,737	122,342
Special events	-	-	174,386	210,471	174,405	210,471
Supplies	2,212	651	1,079	865	91,228	82,895
Travel and transportation	1,922	1,830	-	-	41,875	47,774
Utilities	-	-	678	579	109,205	114,119
Workshop wages and benefits	-	-	-	-	181,479	219,433
Depreciation	-	-	-	-	92,268	114,189
Total expenses	\$ 349,793	\$ 360,039	\$ 244,312	\$ 257,709	\$ 3,579,929	\$ 3,795,312

See accompanying notes to the financial statements.

**THE ROCHELLE CENTER**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Increase in net assets	\$ 234,853	\$ 15,395
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	92,268	114,189
Change in allowance for doubtful accounts	(4,372)	2,172
Realized gain on investments	(490)	-
Unrealized gains on investments	627	(864)
Reinvested interest income	(76)	(159)
Donated stock	-	(4,282)
Changes in:		
Receivables	(10,866)	17,593
Prepaid expenses	1,974	4,324
Assets whose use is limited	(42,251)	(41,193)
Accounts payable	(3,758)	(23,800)
Accrued expenses	(162,797)	262,225
Total adjustments	<u>(129,741)</u>	<u>330,205</u>
Net cash provided by operating activities	<u>105,112</u>	<u>345,600</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	<u>(132,604)</u>	<u>(80,909)</u>
Net cash used in investing activities	<u>(132,604)</u>	<u>(80,909)</u>
Cash Flows from Financing Activities:		
Payments on long-term debt	<u>(81,602)</u>	<u>(9,900)</u>
Net cash used in financing activities	<u>(81,602)</u>	<u>(9,900)</u>
Net increase (decrease) in cash	(109,094)	254,791
Cash - beginning of year	<u>523,986</u>	<u>269,195</u>
Cash - end of year	<u>\$ 414,892</u>	<u>\$ 523,986</u>

**SUPPLEMENTAL CASH FLOW INFORMATION:**

Interest paid during the years ended June 30, 2015 and 2014, was \$17,388 and \$18,843, respectively. Release of noncash restrictions on a building during the years ended June 30, 2015 and 2014, was \$25,533 and \$25,533, respectively. Noncash refinance of debt for the years ended June 30, 2015 and 2014, was \$0 and \$158,369, respectively.

See accompanying notes to the financial statements.



**THE ROCHELLE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2014**

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The terms "we" "our" and "us" are also used throughout these notes to the financial statements to identify The Rochelle Center. The Rochelle Center (the "Center") is a nonprofit organization located in Nashville, Tennessee. For over 30 years, we have served persons with developmental disabilities and their families, creating opportunities to develop new skills, enhance independence and increase acceptance as valued members of their communities. The majority of our revenue is determined by the state through Medicaid at set reimbursement rates which have remained unchanged since 2005.

Program Services

The following program services are included in the accompanying financial statements:

Developmental Services - To provide meaningful day activities through facility and community based services to adults with severe to profound disabilities.

Residential Services - Provide community based supported living homes supporting up to three adults with severe to moderate intellectual disabilities. The emphasis of the program is on normalized, home environment with the consumers assuming household responsibilities and participation to the extent of their abilities.

Production Center - The production center offers work skill development opportunities on a variety of contracts from a diverse set of businesses in the Nashville community. Placement in the work community is designed to advance the skills learned and provide employment for individuals.

Supported Employment - Offer work and skill development opportunities and a means to earn training wages for disadvantaged or disabled people who cannot otherwise find work training programs.

Basis of Presentation

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

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization 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.

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

**THE ROCHELLE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2014**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Prior Year Summarized Financial Information

While comparative information is not required under United States generally accepted accounting principles ("US GAAP"), we believe this information is useful and have included certain summarized financial information from our 2014 financial statements. Such summarized information is not intended to be a complete presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with our financial statements as of and for the year ended June 30, 2014, from which it was derived.

Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

We have a house that was purchased with a Tennessee Housing Development Agency grant during the year ended June 30, 2006. Per the grant, the house must be used for our client's residency for a period of 15 years. Therefore we release 1/15<sup>th</sup> of the restricted amount each year, shown as a reclassification on our financial statements.

Revenue Recognition

We recognize fee income in the period in which services are provided to consumers based on a contractual rate per client per day. The majority of our fee income is from the State of Tennessee. Rates paid to us are determined by the State of Tennessee per client, based on the level of care required.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all investment instruments purchased with original maturities of three months or less to be cash equivalents. At June 30, 2015 and 2014, there were no cash equivalents.

Accounts Receivable

We record receivables from promises to give when they are pledged. Bad debts are recognized on the allowance method based on historical experience and our evaluation of outstanding accounts. An allowance of \$1,000 and \$5,372 has been recorded for the years ended June 30, 2015 and 2014, respectively.

Investments

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Each asset and liability carried at fair value is classified into one of the following categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs not corroborated by market data.



**THE ROCHELLE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2014**

**NOTE 1 - Summary of Significant Accounting Policies (continued)**

**Investments (continued)**

The following table summarizes our financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of June 30, 2015:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in agency endowment fund	\$ 8,540	\$ 8,540	\$ -	\$ -	\$ 8,540
Investments	<u>4,521</u>	<u>4,521</u>	<u>4,521</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,061</u>	<u>\$ 13,061</u>	<u>\$ 4,521</u>	<u>\$ -</u>	<u>\$ 8,540</u>

As discussed above, we are required to report fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the valuation techniques. We used the following ways to determine the fair values of the beneficial interest in agency endowment fund and investments, respectively:

- We obtained a summary statement directly from the Community Foundation of Middle Tennessee with the value of the endowment fund as of June 30, 2015.

There were no transfers between Level 1, Level 2, and Level 3 investments during the year ended June 30, 2015.

A reconciliation of changes in the amounts reported for the assets valued using Level 3 inputs are included in Note 8.

**Property and Equipment**

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

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At June 30, 2015, no assets were considered to be impaired.

Property and equipment donated with explicit restrictions regarding their use and contributions of cash which must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long the donated assets must be maintained, we report expirations of donor restrictions when the donated or acquired assets are placed in service and also reclassify the temporarily restricted net assets to unrestricted net assets concurrently.

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

**THE ROCHELLE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2014**

**NOTE 1 - Summary of Significant Accounting Policies (continued)**

**Income Tax Status**

We are a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes. We are not subject to examination by U.S. federal or state taxing authorities for years before 2012.

**Functional Allocation of Expenses**

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

**Advertising**

Advertising is expensed as incurred.

**Use of Estimates**

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

**Fair Values of Financial Instruments**

The fair values of current assets, current liabilities, long-term liabilities, and restricted cash approximate to the carrying values due to the short maturities of these instruments.

The fair values of long-term debt approximate to the carrying values and are estimated based on current rates offered to us.

**NOTE 2 - Accounts Receivable**

A summary of the accounts receivable held at June 30, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Production contracts	\$ 51,453	\$ 47,590
Tennessee Department of Intellectual Disabilities Services	245,130	235,882
Residential	<u>25,092</u>	<u>27,337</u>
	321,675	310,809
Less: allowance for bad debts	<u>(1,000)</u>	<u>(5,372)</u>
	<u>\$ 320,675</u>	<u>\$ 305,437</u>

**THE ROCHELLE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2014**

**NOTE 3 – Investments**

In the year ended June 30, 2014, we received an investment portfolio as a donation for attending a fundraising event. The investment portfolio had a fair market value of \$4,282 at the date of donation. At June 30, 2015 and 2014, the investments in this portfolio had a fair market value of \$4,522 and \$4,658, respectively.

Investments consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Equities	\$ 4,290	\$ 4,561
Money Market Funds	<u>231</u>	<u>97</u>
	<u>\$ 4,521</u>	<u>\$ 4,658</u>

The fair value of the above investments is based on Level 1 inputs, which are values readily obtained by publicly quoted prices. Investment income is comprised of interest of \$111 and a realized loss of \$137 at June 30, 2015, and interest income of \$0 at June 20, 2014.

**NOTE 4 - Accrued Expenses**

At June 30, 2015 and 2014, expenses were accrued for the following:

	<u>2015</u>	<u>2014</u>
Accrued paid time off	\$ 40,160	\$ 36,057
Accrued wages payable	141,386	92,998
Accrued retirement contribution expense	1,510	2,064
Deferred revenue	27,000	7,000
Other accruals	-	21,674
Department of Labor ("DOL") wages settlement accrual	<u>-</u>	<u>213,060</u>
	<u>\$ 210,056</u>	<u>\$ 372,853</u>

See Note 12 for additional information about the DOL wages accrual.



**THE ROCHELLE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2014**

**NOTE 5 - Long-term Debt**

Long-term debt at June 30, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
First mortgage note payable to U.S. Bank with a maturity of June 2, 2019. Monthly payments of \$329 are required interest at 4.49%. The note is collateralized by real and personal property with a net book value of \$90,089	\$ 40,753	\$ 42,293
First mortgage note payable to U.S. Bank with a maturity of June 2, 2019. Monthly payments of \$1,174 are required with interest at 4.49%. The note is collateralized by real and personal property with a net book value of \$168,638.	145,588	151,089
First mortgage note payable to Regions Bank with a maturity of August 8, 2023. Monthly payments of \$677 are required, including 4.25% interest. The note is collateralized by real property with a net book value of \$103,561.	82,289	86,402
First mortgage note payable to Regions Bank with a maturity of December 16, 2023. Monthly payments of \$586 are required with interest at 5.45%. The note is collateralized by real property with a net book value of \$96,278.	-	70,448
	268,630	350,232
Less: current maturities	(14,462)	(15,151)
	<u>\$ 254,168</u>	<u>\$ 335,081</u>

The following is a schedule of future maturities:

**Year Ended June 30,**

2016	\$ 14,462
2017	15,143
2018	15,832
2019	161,127
2020	5,615
Thereafter	56,450
	<u>\$ 268,629</u>

**NOTE 6 - Unrestricted Net Assets – Board Designated**

At June 30, 2015 and 2014, the Board of Directors has designated \$322,000 and \$322,000, respectively, in net assets and cash to be used for future building and equipment purchases and repairs.

**THE ROCHELLE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2014**

**NOTE 7 - Temporarily Restricted Net Assets**

Also at June 30, 2015 and 2014, we held assets whose use was temporarily restricted by donors or grantors as follows:

	<u>2015</u>	<u>2014</u>
Residential Program - Buildings purchased with THDA grant	\$ 153,203	\$ 178,736
Music Therapy Program	21,370	-
Purchase of Van	30,000	-
Purchase of Phone System	9,400	-
Production Center	21,555	15,000
Sensory Garden	592	25,666
	<u>\$ 236,120</u>	<u>\$ 219,402</u>

**NOTE 8 - Community Foundation Endowment**

At June 30, 2015, the Community Foundation of Middle Tennessee (the "Foundation"), a non-profit organization, is in control of an endowment fund for The Rochelle Center. The Foundation has ultimate authority and control over all property of the fund and the income derived therefrom; however, the endowment is considered to be a reciprocal transfer, and is, therefore, recorded as a permanently restricted asset on our Statement of Financial Position. The balance of the fund at June 30, 2015 and 2014, was \$8,540 and \$8,464, respectively.

The activity in the Community Foundation endowment for the Center is as follows:

Balance at July 1, 2014	\$ 8,464
Contributions	\$ -
Interest income	142
Realized gain	627
Unrealized loss	(627)
Administrative fees	(33)
Investment fees	(33)
	<u>\$ 8,540</u>
Balance at June 30, 2015	<u>\$ 8,540</u>

**NOTE 9 - Lease Agreement**

We lease various office equipment and real property under lease arrangements classified as operating leases. Most of our leases are on a month-to-month or as needed basis. We have two operating leases with monthly payments of \$542 and \$108. These leases expire in November 2016 and September 2017, respectively. Total rent expense for the years ended June 30, 2015 and 2014, are \$10,276 and \$10,774, respectively.

**THE ROCHELLE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2014**

NOTE 9 - Lease Agreement (continued)

Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	
2016	\$ 7,804
2017	4,008
2018	324
2019	-
	<hr/>
	\$ 12,136

NOTE 10 - Concentrations and Contingencies

Revenue Sources

We receive a substantial amount of our support and revenues from governmental agencies. A significant reduction in the level of this support may reflect on our future programs and activities. In addition, the funding received from the governmental agencies is subject to audit and retroactive adjustment by the governmental agencies. At June 30, 2015 and 2014, revenue received from governmental agencies was 76% and 77% of total revenue, respectively. At June 30, 2015, and 2014, there was a concentration of 94% and 94% of total receivables due from the State of Tennessee, respectively.

We maintain our cash in bank accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe that we are exposed to any significant credit risk on our cash.

Accounts Payable

At June 30, 2015 and 2014, we owed two vendors 32%, and one vendor 20% of our total accounts payable, respectively.

NOTE 11 - Retirement Plan

We sponsor a tax-deferred annuity plan ("Plan") under Section 403(b) of the Internal Revenue Code. In the year ended June 30, 2015, and 2014, we did not make a discretionary employer match for the Plan. Expenses for the Plan during the year ended June 30, 2015 and 2014, are \$0 and \$0, respectively.

NOTE 12 - Department of Labor Wages

In April 2014, the Department of Labor recalculated wages paid to employees in the year ended June 30, 2014, and determined that we had to pay additional wages to our employees in that year. The wages were expensed in the year ended June 30, 2014, in the amount of \$213,060.

NOTE 13 - Subsequent Events

We have evaluated events subsequent to the year ended June 30, 2015. As of August 27, 2015, the date that the financial statements were available to be issued. We are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.



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



## PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

**INDEPENDENT AUDITOR'S 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  
The Rochelle Center

We have audited, in accordance with the 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, the financial statements of The Rochelle Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 27, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Rochelle Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Rochelle Center's internal control. Accordingly, we do not express an opinion on the effectiveness of The Rochelle Center's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Rochelle Center's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Patterson Hande & Bellentine*

August 27, 2015

**THE ROCHELLE CENTER**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Financial Statement Findings:

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
2014-001	Improper Subminimum Wage Calculations	Corrected