PARK CENTER AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

PARK CENTER AND AFFILIATE

TABLE OF CONTENTS

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, 2016 and 2015, 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.

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

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, 2016 and 2015, 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 29, 2016

PARK CENTER AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	$ 2,305,208	$ 2,037,147
Accounts receivable	277,572	284,531
Grants receivable	586,767	356,811
Prepaid expenses	36,301	18,286
Total current assets	3,205,848	2,696,775
Investments	655,310	507,718
Property and equipment, net	5,577,438	5,754,204
Total assets	$ 9,438,596	$ 8,958,697
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 377,219	$ 320,100
Current portion of long-term debt	44,799	43,579
Total current liabilities	422,018	363,679
Long-term debt, net of current portion	271,211	313,431
Total liabilities	693,229	677,110
Net assets:		
Unrestricted:		
Undesignated	5,274,011	4,948,098
Board designated	1,034,560	886,974
Total unrestricted	6,308,571	5,835,072
Temporarily restricted	2,436,796	2,446,515
Total net assets	8,745,367	8,281,587
Total liabilities and net assets	$ 9,438,596	$ 8,958,697

See accompanying notes.

PARK CENTER AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Public support and revenues:			
Public support:			
Grants and contracts	$ 4,943,936	$ -	$ 4,943,936
Contributions	377,949	53,174	431,123
In-kind donations	55,732	-	55,732
Total public support	5,377,617	53,174	5,430,791
Revenues:			
Rental income	564,068	-	564,068
Food service fees	23,350	-	23,350
Investment and interest income (loss), net	(877)	-	(877)
Other	1,070	-	1,070
Total revenues	587,611	-	587,611
Net assets released from restrictions	62,893	(62,893)	-
Total public support and revenues	6,028,121	(9,719)	6,018,402
Expenses:			
Program services	4,570,658	-	4,570,658
Supporting services:			
Management and general	818,573	-	818,573
Fundraising	165,391	-	165,391
Total supporting services	983,964	-	983,964
Total expenses	5,554,622	-	5,554,622
Change in net assets	473,499	(9,719)	463,780
Net assets - beginning of year	5,835,072	2,446,515	8,281,587
Net assets - end of year	$ 6,308,571	$ 2,436,796	$ 8,745,367

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 FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total Expenses
Personnel services	$ 2,426,302	$ 446,807	$ 88,414	$ 2,961,523
Fringe benefits	363,617	56,342	17,196	437,155
Payroll taxes	183,277	32,606	6,774	222,657
Total personnel costs	2,973,196	535,755	112,384	3,621,335
Rental and maintenance	270,055	73,979	7,304	351,338
Utilities	210,129	440	-	210,569
Contract services	139,477	1,093	-	140,570
Food and beverage	101,471	1,762	25,668	128,901
Professional fees (including inkind of $15,000)	63,030	54,325	5,915	123,270
Insurance	35,391	74,406	-	109,797
Member expenses (including inkind of $35,832)	96,489	54	-	96,543
Certifications and accreditations	75,160	20,071	205	95,436
Rent	68,946	-	3,884	72,830
Telephone	47,924	11,426	516	59,866
Office supplies	44,361	9,619	3,126	57,106
Program services	42,030	-	-	42,030
Miscellaneous	4,866	32,807	2,036	39,709
Travel	33,964	1,003	89	35,056
Small equipment purchases	33,564	-	-	33,564
Janitorial supplies	25,231	-	-	25,231
Vehicle expense	22,314	71	-	22,385
Taxes and licenses	11,990	22	260	12,272
Interest	7,826	-	-	7,826
Printing and publications	1,155	664	2,205	4,024
Postage and shipping	534	1,076	1,799	3,409
Medical supplies	2,933	-	-	2,933
Total expense before depreciation	4,312,036	818,573	165,391	5,296,000
Depreciation	258,622	-	-	258,622
Total expenses	$ 4,570,658	$ 818,573	$ 165,391	$ 5,554,622

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
Conferences 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 STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 463,780	$ 162,864
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	258,622	263,284
Gain on sale of property	-	(239,143)
Net realized and unrealized loss on investments	4,372	12,044
Changes in operating assets and liabilities:		
Accounts receivable	6,959	(52,814)
Grants receivable	(229,956)	16,937
Prepaid expenses	(18,015)	718
Accounts payable and accrued expenses	57,119	(91,938)
Net cash provided by operating activities	542,881	71,952
Cash flows from investing activities:		
Purchases of investments	(151,964)	(19,923)
Proceeds from sale of property	-	335,689
Purchases of property and equipment	(81,856)	(62,670)
Net cash (used in) provided by investing activities	(233,820)	253,096
Cash flows from financing activities:		
Payments on long-term debt	(41,000)	(42,048)
Net cash used in financing activities	(41,000)	(42,048)
Net increase in cash and cash equivalents	268,061	283,000
Cash and cash equivalents - beginning of year	2,037,147	1,754,147
Cash and cash equivalents - end of year	$ 2,305,208	$ 2,037,147
Supplemental disclosure:		
Interest paid	$ 7,826	$ 12,536

See accompanying notes.

PARK CENTER AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and 2015

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, 2016 and 2015.

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 volunteer time.

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, 2016 and 2015. 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, 2013 through June 30, 2016.

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 29, 2016 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:

	2016	2015
Short-term investments	$ 169,190	$ 65,543
Mutual funds:		
Intermediate term bond funds	124,029	107,012
Large value funds	50,812	42,271
Large blend funds	49,588	41,511
Large growth funds	48,908	41,758
Real estate funds	40,194	29,322

NOTE 2 – INVESTMENTS (Continued)

Mutual funds (Continued):		
Foreign large value funds	39,050	29,999
Small blend funds	25,888	22,007
Foreign large growth funds	24,908	22,553
Foreign large blend funds	24,216	22,680
Mid-cap blend funds	23,322	20,090
Diversified emerging markets funds	10,115	10,608
ETF funds:		
High yield bond funds	25,090	21,975
Common stocks:		
Home furnishings and fixtures	-	12,121
Mortgage investment	-	7,694
REIT – healthcare facilities	-	1,682
Telecommunications	-	569
	$ 655,310	$ 499,395

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

	2016	2015
Interest and dividend income (including interest on cash and cash equivalents)	$ 3,495	$ 21,331
Net unrealized and realized loss on investments	(4,372)	(12,044)
	$ (877)	$ 9,287

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:

	2016	2015
Land and land improvements	$ 598,360	$ 598,360
Buildings and building improvements	7,791,762	7,714,808
Equipment and furniture	80,666	80,666
Vehicles	117,173	112,273
	8,587,961	8,506,107
Less: accumulated depreciation	(3,010,523)	(2,751,903)
	$ 5,577,438	$ 5,754,204

The Center's 12th Avenue property contains a deed restriction that requires the location to be used to serve adults who have emotional problems with the goal of promoting mental health and providing mental health care services. In the event the property is used for purposes inconsistent with those objectives, the predecessor owner shall have the right to reenter the property.

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.

NOTE 3 – PROPERTY AND EQUIPMENT (Continued)

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 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 $757,936 and $764,746 at June 30, 2016 and 2015, 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 $8,119 and $13,850 at June 30, 2016 and 2015, respectively, and is included as temporarily restricted net assets.

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.

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 $122,787 and $110,161 at June 30, 2016 and 2015, respectively.

NOTE 5 – SHORT-TERM FINANCING ARRANGEMENTS

During fiscal 2016 and 2015, 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, 2016 and 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, 2016 and 2015.

NOTE 6 – LONG-TERM DEBT

Long-term debt is as follows at June 30:

	2016	2015
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.	$ 119,387	$ 133,031
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.	62,978	81,785
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.	133,645	142,194
	316,010	357,010
Less amount shown as current portion	(44,799)	(43,579)
Long-term debt, non-current portion	$ 271,211	$ 313,431

Annual principal maturities of the above obligations are as follows:

Year Ending June 30,	
2017	$ 44,799
2018	159,940
2019	32,816
2020	78,455
2021	-
	$ 316,010

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:

	2016	2015
Housing for individuals with disabilities - Haley's Park	$ 1,568,200	$ 1,568,200
Property for housing program	757,936	764,746
Contributions restricted for programs	91,091	88,269
Contributions restricted for center renovation	11,450	11,450
Vehicle for program transportation	8,119	13,850
	$ 2,436,796	$ 2,446,515

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

	2016	2015
Board designated endowment	$ 496,877	$ 422,901
Housing	232,366	232,366
Clubhouse	155,213	155,213
Future needs	150,104	76,494
	$ 1,034,560	$ 886,974

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, 2016 and 2015. 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, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	$ 496,877	$ -	$ -	$ 496,877

Changes in Endowment Net Assets for the fiscal year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 422,901	$ -	$ -	$ 422,901
Additions	73,433	-	-	73,433
Investment return:				
Net appreciation (realized and unrealized)	543	-	-	543
Endowment net assets, end of year	$ 496,877	$ -	$ -	$ 496,877

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

NOTE 9 – BOARD DESIGNATED ENDOWMENT FUND (Continued)

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.

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, 2016 and 2015 was $87,536 and $88,272, 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, 2016

	Park Center	Haley's Park	Consolidating Entries	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	$ 2,248,326	$ 56,882	$ -	$ 2,305,208
Accounts receivable	329,857	-	(52,285)	277,572
Grants receivable	586,767	-	-	586,767
Prepaid expenses	36,213	88	-	36,301
Total current assets	3,201,163	56,970	(52,285)	3,205,848
Investments	646,981	8,329	-	655,310
Property and equipment, net	4,251,158	1,326,280	-	5,577,438
Total assets	$ 8,099,302	$ 1,391,579	$ (52,285)	$ 9,438,596
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	$ 346,002	$ 83,502	$ (52,285)	$ 377,219
Current portion of long-term debt	44,799	-	-	44,799
Total current liabilities	390,801	83,502	(52,285)	422,018
Long-term debt, net of current portion	271,211	-	-	271,211
Total liabilities	662,012	83,502	(52,285)	693,229
Net assets:				
Unrestricted:				
Undesignated	5,534,134	(260,123)	-	5,274,011
Board designated	1,034,560	-	-	1,034,560
Total unrestricted	6,568,694	(260,123)	-	6,308,571
Temporarily restricted	868,596	1,568,200	-	2,436,796
Total net assets	7,437,290	1,308,077	-	8,745,367
Total liabilities and net assets	$ 8,099,302	$ 1,391,579	$ (52,285)	$ 9,438,596

See accompanying notes.

PARK CENTER AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Park Center	Haley's Park	Consolidating Entries	Consolidated
Public support and revenues:				
Public support:				
Grants and contracts	$ 4,913,714	$ 30,222	$ -	$ 4,943,936
Contributions	431,123	-	-	431,123
In-kind donations	55,732	-	-	55,732
Total public support	5,400,569	30,222	-	5,430,791
Revenues:				
Rental income	521,473	42,595	-	564,068
Food service fees	23,350	-	-	23,350
Investment and interest income (loss), net	(894)	17	-	(877)
Other	1,070	-	-	1,070
Total revenues	544,999	42,612	-	587,611
Total public support and revenues	5,945,568	72,834	-	6,018,402
Expenses:				
Program services	4,471,085	99,573	-	4,570,658
Supporting services:				
Management and general	795,774	22,799	-	818,573
Fundraising	165,391	-	-	165,391
Total supporting services	961,165	22,799	-	983,964
Total expenses	5,432,250	122,372	-	5,554,622
Change in net assets	513,318	(49,538)	-	463,780
Net assets - beginning of year	6,923,972	1,357,615	-	8,281,587
Net assets - end of year	$ 7,437,290	$ 1,308,077	$ -	$ 8,745,367

See accompanying notes.

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	$ 51,926	$ -	$ 2,037,147
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	51,926	(48,307)	2,696,775
Investments	499,395	8,323	-	507,718
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.