# PARK CENTER AND AFFILIATE

## CONSOLIDATED FINANCIAL STATEMENTS

***As of and for the Years Ended June 30, 2018 and 2017***

***And Report of Independent Auditor***

Cherry Bekaert LLP
CPAs & Advisors

**PARK CENTER AND AFFILIATE**

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Cherry Bekaert LLP
CPAs & Advisors

## Report of Independent Auditor

To the Board of Directors
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, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated 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 audits 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.

### 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, 2018 and 2017, 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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 18 through 21 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.

Cherry Bekaert LLP

Nashville, Tennessee
November 1, 2018

# PARK CENTER AND AFFILIATE
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*JUNE 30, 2018 AND 2017*

| | 2018 | 2017 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 2,793,673 | $ 3,006,767 |
| Accounts receivable | 321,590 | 206,467 |
| Grants receivable | 454,184 | 253,990 |
| Prepaid expenses | 113,555 | 36,774 |
| Total Current Assets | 3,683,002 | 3,503,998 |
| Investments | 751,820 | 711,228 |
| Property and equipment, net | 12,222,540 | 5,396,574 |
| **Total Assets** | $ 16,657,362 | $ 9,611,800 |
| **LIABILITIES AND NET ASSETS** | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | $ 382,772 | $ 415,582 |
| Current portion of long-term debt | 43,422 | 161,122 |
| Total Current Liabilities | 426,194 | 576,704 |
| Long-term debt, net of current portion | 7,182,256 | 110,092 |
| **Total Liabilities** | 7,608,450 | 686,796 |
| Net Assets: | | |
| Unrestricted: | | |
| Undesignated | 5,630,662 | 5,566,602 |
| Board designated | 1,131,064 | 1,090,475 |
| Total Unrestricted | 6,761,726 | 6,657,077 |
| Temporarily restricted | 2,287,186 | 2,267,927 |
| Total Net Assets | 9,048,912 | 8,925,004 |
| **Total Liabilities and Net Assets** | $ 16,657,362 | $ 9,611,800 |

**PARK CENTER AND AFFILIATE**

CONSOLIDATED STATEMENT OF ACTIVITIES

*YEAR ENDED JUNE 30, 2018*

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| Public Support and Revenues: | | | |
| Public Support: | | | |
| Grants and contracts | $ 4,579,262 | $ - | $ 4,579,262 |
| Contributions | 426,912 | 59,000 | 485,912 |
| In-kind donations | 24,697 | - | 24,697 |
| Total Public Support | 5,030,871 | 59,000 | 5,089,871 |
| Revenues: | | | |
| Rental income | 728,058 | - | 728,058 |
| Food service fees | 23,083 | - | 23,083 |
| Investment and interest income, net | 44,548 | - | 44,548 |
| Other | 4,730 | - | 4,730 |
| Total Revenues | 800,419 | - | 800,419 |
| Net assets released from restrictions | 39,741 | (39,741) | - |
| Total Public Support and Revenues | 5,871,031 | 19,259 | 5,890,290 |
| Expenses: | | | |
| Program Services | 4,654,669 | - | 4,654,669 |
| Supporting Services: | | | |
| Management and general | 909,571 | - | 909,571 |
| Fundraising | 202,142 | - | 202,142 |
| Total Supporting Services | 1,111,713 | - | 1,111,713 |
| Total Expenses | 5,766,382 | - | 5,766,382 |
| Change in net assets | 104,649 | 19,259 | 123,908 |
| Net assets, beginning of year | 6,657,077 | 2,267,927 | 8,925,004 |
| Net assets, end of year | $ 6,761,726 | $ 2,287,186 | $ 9,048,912 |

**PARK CENTER AND AFFILIATE**
CONSOLIDATED STATEMENT OF ACTIVITIES

*YEAR ENDED JUNE 30, 2017*

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| Public Support and Revenues: | | | |
| Public Support: | | | |
| Grants and contracts | $ 4,765,275 | $ - | $ 4,765,275 |
| Contributions | 395,746 | 58,327 | 454,073 |
| In-kind donations | 31,001 | - | 31,001 |
| Total Public Support | 5,192,022 | 58,327 | 5,250,349 |
| Revenues: | | | |
| Rental income | 598,090 | - | 598,090 |
| Food service fees | 23,945 | - | 23,945 |
| Investment and interest loss, net | 57,621 | - | 57,621 |
| Other | 3,269 | - | 3,269 |
| Total Revenues | 682,925 | - | 682,925 |
| Net assets released from restrictions | 227,196 | (227,196) | - |
| Total Public Support and Revenues | 6,102,143 | (168,869) | 5,933,274 |
| Expenses: | | | |
| Program Services | 4,697,260 | - | 4,697,260 |
| Supporting Services: | | | |
| Management and general | 885,770 | - | 885,770 |
| Fundraising | 170,607 | - | 170,607 |
| Total Supporting Services | 1,056,377 | - | 1,056,377 |
| Total Expenses | 5,753,637 | - | 5,753,637 |
| Change in net assets | 348,506 | (168,869) | 179,637 |
| Net assets, beginning of year | 6,308,571 | 2,436,796 | 8,745,367 |
| Net assets, end of year | $ 6,657,077 | $ 2,267,927 | $ 8,925,004 |

**PARK CENTER AND AFFILIATE**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

*YEAR ENDED JUNE 30, 2018*

| | | Supporting Services | | |
|---|---|---|---|---|
| | Program Services | Management and General | Fundraising | Total Expenses |
| Personnel services | $ 2,517,598 | $ 472,745 | $ 129,179 | $ 3,119,522 |
| Fringe benefits | 289,763 | 48,100 | 19,721 | 357,584 |
| Payroll taxes | 185,841 | 34,605 | 9,605 | 230,051 |
| Total Personnel Costs | 2,993,202 | 555,450 | 158,505 | 3,707,157 |
| Rental and maintenance | 375,953 | 57,571 | 7,530 | 441,054 |
| Utilities | 218,889 | - | - | 218,889 |
| Professional fees (including in-kind of $3,500) | 47,647 | 144,019 | 5,699 | 197,365 |
| Food and beverage | 99,392 | 2,444 | 9,585 | 111,421 |
| Insurance | 34,384 | 64,683 | - | 99,067 |
| Contract services | 95,710 | 1,589 | - | 97,299 |
| Rent | 81,130 | - | 6,914 | 88,044 |
| Interest | 88,006 | - | - | 88,006 |
| Telephone | 57,862 | 25,794 | 1,435 | 85,091 |
| Certifications and accreditations | 43,262 | 15,684 | 695 | 59,641 |
| Member expenses (including in-kind of $21,197) | 48,207 | 9 | - | 48,216 |
| Program supplies | 37,205 | 2,588 | 1,675 | 41,468 |
| Miscellaneous | 4,631 | 32,927 | 1,994 | 39,552 |
| Travel | 31,280 | 1,806 | 1,182 | 34,268 |
| Program services | 33,031 | 70 | - | 33,101 |
| Vehicle expense | 23,170 | - | - | 23,170 |
| Janitorial supplies | 19,976 | - | - | 19,976 |
| Office supplies | 11,063 | 3,046 | 1,201 | 15,310 |
| Small equipment purchases | 13,263 | - | - | 13,263 |
| Taxes and licenses | 11,062 | 72 | 260 | 11,394 |
| Printing and publications | 2,492 | 776 | 3,626 | 6,894 |
| Postage and shipping | 301 | 1,043 | 1,841 | 3,185 |
| Medical supplies | 3,052 | - | - | 3,052 |
| Total Expense Before Depreciation | 4,374,170 | 909,571 | 202,142 | 5,485,883 |
| Depreciation | 280,499 | - | - | 280,499 |
| Total Expenses | $ 4,654,669 | $ 909,571 | $ 202,142 | $ 5,766,382 |

**PARK CENTER AND AFFILIATE**
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

*YEAR ENDED JUNE 30, 2017*

| | | Supporting Services | | |
|---|---|---|---|---|
| | Program Services | Management and General | Fundraising | Total Expenses |
| Personnel services | $ 2,580,890 | $ 480,728 | $ 95,297 | $ 3,156,915 |
| Fringe benefits | 311,890 | 63,611 | 17,731 | 393,232 |
| Payroll taxes | 191,966 | 34,619 | 7,178 | 233,763 |
| Total Personnel Costs | 3,084,746 | 578,958 | 120,206 | 3,783,910 |
| Rental and maintenance | 337,529 | 59,428 | 8,885 | 405,842 |
| Utilities | 208,347 | - | - | 208,347 |
| Contract services | 151,743 | 1,079 | - | 152,822 |
| Professional fees (including in-kind of $15,050) | 44,435 | 93,847 | 5,813 | 144,095 |
| Food and beverage (including in-kind of $1,229) | 101,246 | 3,139 | 16,027 | 120,412 |
| Insurance | 34,012 | 73,668 | - | 107,680 |
| Rent | 100,196 | 325 | 2,800 | 103,321 |
| Certifications and accreditations | 48,607 | 27,610 | 347 | 76,564 |
| Telephone | 52,919 | 10,621 | 1,443 | 64,983 |
| Miscellaneous | 5,936 | 26,361 | 1,993 | 34,290 |
| Member expenses (including in-kind of $14,722) | 56,774 | 1,082 | - | 57,856 |
| Program supplies | 36,751 | 2,390 | 3,909 | 43,050 |
| Travel | 25,981 | 1,171 | 383 | 27,535 |
| Program services | 29,763 | - | - | 29,763 |
| Office supplies | 24,721 | 3,570 | 690 | 28,981 |
| Vehicle expense | 28,574 | 57 | - | 28,631 |
| Janitorial supplies | 22,525 | - | - | 22,525 |
| Printing and publications | 8,276 | 1,301 | 5,937 | 15,514 |
| Taxes and licenses | 14,635 | 165 | 666 | 15,466 |
| Small equipment purchases | 13,794 | - | - | 13,794 |
| Medical supplies | 9,269 | 22 | - | 9,291 |
| Interest | 7,228 | - | - | 7,228 |
| Postage and shipping | 924 | 976 | 1,508 | 3,408 |
| Total Expense Before Depreciation | 4,448,931 | 885,770 | 170,607 | 5,505,308 |
| Depreciation | 248,329 | - | - | 248,329 |
| Total Expenses | $ 4,697,260 | $ 885,770 | $ 170,607 | $ 5,753,637 |

**PARK CENTER AND AFFILIATE**

CONSOLIDATED STATEMENTS OF CASH FLOWS

*YEARS ENDED JUNE 30, 2018 AND 2017*

| | 2018 | 2017 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ 123,908 | $ 179,637 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation | 280,499 | 248,329 |
| Net realized and unrealized gain on investments | (10,446) | (32,856) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (115,123) | 71,105 |
| Grants receivable | (200,194) | 332,777 |
| Prepaid expenses | (76,781) | (473) |
| Accounts payable and accrued expenses | (32,810) | 38,363 |
| Net cash (used in) provided by operating activities | (30,947) | 836,882 |
| **Cash flows from investing activities:** | | |
| Proceeds from sale of investments | 224,963 | 101,410 |
| Purchases of investments | (255,109) | (124,472) |
| Purchases of property and equipment | (106,465) | (67,465) |
| Net cash used in investing activities | (136,611) | (90,527) |
| **Cash flows from financing activities:** | | |
| Payments on long-term debt | (45,536) | (44,796) |
| Net cash used in financing activities | (45,536) | (44,796) |
| Net (decrease) increase in cash and cash equivalents | (213,094) | 701,559 |
| Cash and cash equivalents, beginning of year | 3,006,767 | 2,305,208 |
| Cash and cash equivalents, end of year | $ 2,793,673 | $ 3,006,767 |
| **Supplemental disclosure:** | | |
| Interest paid | $ 108,420 | $ 7,228 |
| Purchase of property through issuance of notes payable | $ 7,000,000 | $ - |

## 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 and 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.

*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* - 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, 2018 and 2017.

## Note 1—Nature of activities and significant accounting policies (continued)

*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 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.

*Contributions* - 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.

*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.

## Note 1—Nature of activities and significant accounting policies (continued)

*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.

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 has not recognized any tax related interest and penalties in the accompanying consolidated financial statements.

*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 November 1, 2018 when these consolidated financial statements were available to be issued. Other than the events described in Note 12, 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:

| | 2018 | 2017 |
|---|---|---|
| Short-Term Investments | $ 176,208 | $ 172,395 |
| Mutual Funds: | | |
| Intermediate term bond funds | 146,814 | 138,611 |
| Large growth funds | 60,274 | 55,598 |
| Large value funds | 58,794 | 55,575 |
| Short term bond funds | 51,736 | - |
| Short term government bond funds | 51,696 | - |
| Small blend funds | 30,637 | 27,624 |
| Mid-cap blend funds | 30,090 | 27,844 |
| Foreign large growth funds | 29,084 | 27,312 |
| Foreign large blend funds | 28,591 | 27,398 |
| Foreign large value funds | 27,752 | 44,017 |
| Real estate funds | 19,451 | 41,063 |
| Diversified emerging markets funds | 11,232 | 11,037 |
| Large blend funds | - | 54,949 |
| ETF Funds: | | |
| High yield bond funds | 29,461 | 27,805 |
| | $ 751,820 | $ 711,228 |

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

| | 2018 | 2017 |
|---|---|---|
| Interest and dividend income (including interest on cash and cash equivalents) | $ 34,102 | $ 24,765 |
| Net unrealized and realized gain on investments | 10,446 | 32,856 |
| | $ 44,548 | $ 57,621 |

## Note 3—Property and equipment

Property and equipment are recorded at cost at the date of purchase or fair 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:

| | 2018 | 2017 |
|---|---|---|
| Land and land improvements | $ 3,681,827 | $ 598,360 |
| Buildings and building improvements | 11,835,343 | 7,833,382 |
| Equipment and furniture | 127,546 | 106,511 |
| Vehicles | 117,173 | 117,173 |
| | 15,761,889 | 8,655,426 |
| Less accumulated depreciation | (3,539,349) | (3,258,852) |
| | $ 12,222,540 | $ 5,396,574 |

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 (see Note 12).

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 20 to 30 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 20 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. The restriction expired at June 30, 2017; therefore, the funds were released from temporarily restricted net assets in the accompanying financial statements for year ended June 30, 2017.

The net asset value of the buildings, building improvements, and land acquired under these agreements in the amount of $594,317 and $601,127 at June 30, 2018 and 2017, 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 $0 and $2,494 at June 30, 2018 and 2017, respectively, and is included in temporarily restricted net assets. The restriction expired during the year ended June 30, 2018; therefore, the funds were released from temporarily restricted net assets in the accompanying financial statements for year ended June 30, 2018.

## Note 3—Property and equipment (continued)

Effective January 31, 2018, the Center paid $7,000,000 to purchase property in Nashville, Tennessee at 186 North 1st Street for possible relocation of the Center's operations. The purchase was financed with debt borrowed from a local financial institution (see Note 6).

## 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 $134,944 and $135,731 at June 30, 2018 and 2017, respectively.

## Note 5—Short-term financing arrangements

During fiscal year 2018 and 2017, 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. The note bears interest at the prime rate plus 2% (5.25% at June 30, 2018 and 2017) 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, 2018 and 2017.

## Note 6—Long-term debt

Long-term debt is as follows at June 30:

| | 2018 | 2017 |
|---|---|---|
| Mortgage note payable to a financial institution in monthly principal and interest installments commencing March 1, 2021, with interest only payable through February 1, 2021, secured by land and building, with interest at 3.50%, maturing January 31, 2026. | $ 3,500,000 | $ - |
| Mortgage note payable to a financial institution with interest only payable through January 1, 2021, secured by land and building, with interest at 3.50%, maturing January 31, 2021. | 3,500,000 | - |
| Mortgage note payable to a financial institution in monthly principal installments of $1,137, secured by building and land on Woodland Street, interest at 1%, maturing March 2020. | 92,521 | 105,743 |
| Mortgage note payable to an organization in monthly principal and interest installments of $1,960, secured by land, interest at 4.0%, maturing May 2019. | 19,248 | 41,515 |
| Mortgage note payable to an organization in monthly principal and interest installments of $1,238, secured by land, interest at 4.0%, maturing September 2022. | 113,909 | 123,956 |
| | 7,225,678 | 271,214 |
| Less amount shown as current portion | (43,422) | (161,122) |
| Long-term debt, noncurrent portion | $ 7,182,256 | $ 110,092 |

## Note 6—Long-term debt (continued)

Annual principal maturities of the above obligations are as follows:

| **Years Ending June 30:** | |
|---|---|
| 2019 | $ 43,422 |
| 2020 | 89,836 |
| 2021 | 3,511,406 |
| 2022 | 11,870 |
| 2023 | 69,144 |
| Thereafter | 3,500,000 |
| | $ 7,225,678 |

## 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 in September 2047 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:

| | 2018 | 2017 |
|---|---|---|
| Housing for individuals with disabilities – Haley's Park | $ 1,568,200 | $ 1,568,200 |
| Property for housing program | 594,317 | 601,127 |
| Contributions restricted for programs | 113,219 | 84,656 |
| Contributions restricted for center renovation | 11,450 | 11,450 |
| Vehicle for program transportation | - | 2,494 |
| | $ 2,287,186 | $ 2,267,927 |

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

| | 2018 | 2017 |
|---|---|---|
| Board designated endowment | $ 589,625 | $ 551,809 |
| Housing | 232,366 | 232,366 |
| Clubhouse | 155,213 | 155,213 |
| Future needs | 153,860 | 151,087 |
| | $ 1,131,064 | $ 1,090,475 |

## 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, 2018 and 2017. The board, however, has designated certain assets to serve as an endowment.

**Endowment Net Asset Composition by Type of Fund as of June 30, 2018:**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Board designated endowment funds | $ 589,625 | $ - | $ - | $ 589,625 |

**Changes in Endowment Net Assets for the fiscal year ended June 30, 2018:**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 551,809 | $ - | $ - | $ 551,809 |
| Investment return: | | | | |
| Net appreciation (realized and unrealized) | 37,816 | - | - | 37,816 |
| Endowment net assets, end of year | $ 589,625 | $ - | $ - | $ 589,625 |

**Endowment Net Asset Composition by Type of Fund as of June 30, 2017:**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Board designated endowment funds | $ 551,809 | $ - | $ - | $ 551,809 |

## Note 9—Board designated endowment fund (continued)

**Changes in Endowment Net Assets for the fiscal year ended June 30, 2017:**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 496,877 | $ - | $ - | $ 496,877 |
| Investment return: | | | | |
| Net appreciation (realized and unrealized) | 54,932 | - | - | 54,932 |
| Endowment net assets, end of year | $ 551,809 | $ - | $ - | $ 551,809 |

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, 2018 and 2017 was $96,060 and $107,218, 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.

## Note 12—Commitment to purchase property

Effective June 21, 2018, the Center entered into an agreement to sell the property located at 801 12th Avenue South, Nashville, Tennessee. The Center has received $100,000 in nonrefundable earnest money with an agreed upon purchase price of $13,500,000. The purchaser has until March 31, 2019 to determine if the property is suitable and acceptable for their intended use. If the purchase agreement is executed on the expected closing date of September 30, 2019, the Center expects to use the proceeds to repay the debt incurred to purchase the land and building located at 186 North 1st Street, as well as to satisfy the deed stipulations on the 12th Avenue property (see Note 3).

# SUPPLEMENTARY INFORMATION

# PARK CENTER AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

*JUNE 30, 2018*

| | Park Center | Haley's Park | Consolidating Entries | Consolidated |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | $ 2,727,149 | $ 66,524 | $ - | $ 2,793,673 |
| Accounts receivable | 352,809 | - | (31,219) | 321,590 |
| Grants receivable | 454,184 | - | - | 454,184 |
| Prepaid expenses | 111,884 | 1,671 | - | 113,555 |
| Total Current Assets | 3,646,026 | 68,195 | (31,219) | 3,683,002 |
| Investments | 743,485 | 8,335 | - | 751,820 |
| Property and equipment, net | 10,976,867 | 1,245,673 | - | 12,222,540 |
| **Total Assets** | $ 15,366,378 | $ 1,322,203 | $ (31,219) | $ 16,657,362 |
| **LIABILITIES AND NET ASSETS** | | | | |
| Current Liabilities: | | | | |
| Accounts payable and accrued expenses | $ 351,103 | $ 62,888 | $ (31,219) | $ 382,772 |
| Current portion of long-term debt | 43,422 | - | - | 43,422 |
| Total Current Liabilities | 394,525 | 62,888 | (31,219) | 426,194 |
| Long-term debt, net of current portion | 7,182,256 | - | - | 7,182,256 |
| **Total Liabilities** | 7,576,781 | 62,888 | (31,219) | 7,608,450 |
| Net Assets: | | | | |
| Unrestricted: | | | | |
| Undesignated | 5,939,547 | (308,885) | - | 5,630,662 |
| Board designated | 1,131,064 | - | - | 1,131,064 |
| Total Unrestricted | 7,070,611 | (308,885) | - | 6,761,726 |
| Temporarily restricted | 718,986 | 1,568,200 | - | 2,287,186 |
| Total Net Assets | 7,789,597 | 1,259,315 | - | 9,048,912 |
| **Total Liabilities and Net Assets** | $ 15,366,378 | $ 1,322,203 | $ (31,219) | $ 16,657,362 |

**PARK CENTER AND AFFILIATE**
CONSOLIDATING STATEMENT OF ACTIVITIES

*YEAR ENDED JUNE 30, 2018*

| | Park Center | Haley's Park | Consolidating Entries | Consolidated |
|---|---|---|---|---|
| Public Support and Revenues: | | | | |
| Public Support: | | | | |
| Grants and contracts | $ 4,539,960 | $ 39,302 | $ - | $ 4,579,262 |
| Contributions | 485,912 | - | - | 485,912 |
| In-kind donations | 24,697 | - | - | 24,697 |
| Total Public Support | 5,050,569 | 39,302 | - | 5,089,871 |
| Revenues: | | | | |
| Rental income | 679,965 | 48,093 | - | 728,058 |
| Food service fees | 23,083 | - | - | 23,083 |
| Investment and interest income, net | 44,534 | 14 | - | 44,548 |
| Other | 4,730 | - | - | 4,730 |
| Total Revenues | 752,312 | 48,107 | - | 800,419 |
| Total Public Support and Revenues | 5,802,881 | 87,409 | - | 5,890,290 |
| Expenses: | | | | |
| Program Services | 4,550,038 | 104,631 | - | 4,654,669 |
| Supporting Services: | | | | |
| Management and general | 886,147 | 23,424 | - | 909,571 |
| Fundraising | 202,142 | - | - | 202,142 |
| Total Supporting Services | 1,088,289 | 23,424 | - | 1,111,713 |
| Total Expenses | 5,638,327 | 128,055 | - | 5,766,382 |
| Change in net assets | 164,554 | (40,646) | - | 123,908 |
| Net assets, beginning of year | 7,625,043 | 1,299,961 | - | 8,925,004 |
| Net assets, end of year | $ 7,789,597 | $ 1,259,315 | $ - | $ 9,048,912 |

**PARK CENTER AND AFFILIATE**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

*JUNE 30, 2017*

| | Park Center | Haley's Park | Consolidating Entries | Consolidated |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | $ 2,959,533 | $ 47,234 | $ - | $ 3,006,767 |
| Accounts receivable | 212,429 | - | (5,962) | 206,467 |
| Grants receivable | 253,990 | - | - | 253,990 |
| Prepaid expenses | 36,067 | 707 | - | 36,774 |
| Total Current Assets | 3,462,019 | 47,941 | (5,962) | 3,503,998 |
| Investments | 702,896 | 8,332 | - | 711,228 |
| Property and equipment, net | 4,112,896 | 1,283,678 | - | 5,396,574 |
| **Total Assets** | $ 8,277,811 | $ 1,339,951 | $ (5,962) | $ 9,611,800 |
| **LIABILITIES AND NET ASSETS** | | | | |
| Current Liabilities: | | | | |
| Accounts payable and accrued expenses | $ 381,554 | $ 39,990 | $ (5,962) | $ 415,582 |
| Current portion of long-term debt | 161,122 | - | - | 161,122 |
| Total Current Liabilities | 542,676 | 39,990 | (5,962) | 576,704 |
| Long-term debt, net of current portion | 110,092 | - | - | 110,092 |
| **Total Liabilities** | 652,768 | 39,990 | (5,962) | 686,796 |
| Net Assets: | | | | |
| Unrestricted: | | | | |
| Undesignated | 5,834,841 | (268,239) | - | 5,566,602 |
| Board designated | 1,090,475 | - | - | 1,090,475 |
| Total Unrestricted | 6,925,316 | (268,239) | - | 6,657,077 |
| Temporarily Restricted | 699,727 | 1,568,200 | - | 2,267,927 |
| Total Net Assets | 7,625,043 | 1,299,961 | - | 8,925,004 |
| **Total Liabilities and Net Assets** | $ 8,277,811 | $ 1,339,951 | $ (5,962) | $ 9,611,800 |

**PARK CENTER AND AFFILIATE**

CONSOLIDATING STATEMENT OF ACTIVITIES

*YEAR ENDED JUNE 30, 2017*

| | Park Center | Haley's Park | Consolidating Entries | Consolidated |
|---|---|---|---|---|
| Public support and revenues: | | | | |
| Public Support: | | | | |
| Grants and contracts | $ 4,732,109 | $ 33,166 | $ - | $ 4,765,275 |
| Contributions | 454,073 | 26,529 | (26,529) | 454,073 |
| In-kind donations | 31,001 | - | - | 31,001 |
| Total Public Support | 5,217,183 | 59,695 | (26,529) | 5,250,349 |
| Revenues: | | | | |
| Rental income | 552,961 | 45,129 | - | 598,090 |
| Food service fees | 23,945 | - | - | 23,945 |
| Investment and interest income, net | 57,606 | 15 | - | 57,621 |
| Other | 3,269 | - | - | 3,269 |
| Total Revenues | 637,781 | 45,144 | - | 682,925 |
| Total Public Support and Revenue | 5,854,964 | 104,839 | (26,529) | 5,933,274 |
| Expenses: | | | | |
| Program Services | 4,606,177 | 91,083 | - | 4,697,260 |
| Supporting Services: | | | | |
| Management and general | 890,427 | 21,872 | (26,529) | 885,770 |
| Fundraising | 170,607 | - | - | 170,607 |
| Total Supporting Services | 1,061,034 | 21,872 | (26,529) | 1,056,377 |
| Total Expenses | 5,667,211 | 112,955 | (26,529) | 5,753,637 |
| Change in net assets | 187,753 | (8,116) | - | 179,637 |
| Net assets, beginning of year | 7,437,290 | 1,308,077 | - | 8,745,367 |
| Net assets, end of year | $ 7,625,043 | $ 1,299,961 | $ - | $ 8,925,004 |