THE ROCHELLE CENTER AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2009

(With Independent Auditor's Report Thereon)

THE ROCHELLE CENTER AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
JUNE 30, 2009

CONTENTS

APH CPAs

Charles Akersloot, III
Lisa L. Patterson
Sarah C. Hardee

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Rochelle Center and Subsidiary

We have audited the accompanying consolidated statement of financial position for The Rochelle Center (a nonprofit organization) and Subsidiary (the "Organization") as of June 30, 2009, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Rochelle Center and Subsidiary as of June 30, 2009, and the results of its consolidated operations and its consolidated cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2009, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

APH CPAs

October 6, 2009

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THE ROCHELLE CENTER AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS

Current Assets:		
Cash	$ 144,470	
Investments	970,689	
Receivables, net of allowance for doubtful accounts of $26,861	302,051	
Inventory	6,925	
Prepaid expenses	25,727	
Total current assets		$ 1,449,862
Property and Equipment:		
Land	49,332	
Buildings	2,438,639	
Leasehold improvements	20,446	
Equipment	1,299,472	
	3,807,889	
Less: accumulated depreciation	(1,980,886)	
		1,827,003
Assets Whose Use is Limited:		
Cash - restricted by the donor	85,305	
Cash - restricted by the board	559,418	
Buildings	425,383	
		1,070,106
		$ 4,346,971

See accompanying notes to consolidated financial statements.

THE ROCHELLE CENTER AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
JUNE 30, 2009

LIABILITIES AND NET ASSETS

Current Liabilities:		
Current installments of long-term debt	$ 18,817	
Accounts payable	184,826	
Recoupment - State of Tennessee	262,270	
Loan payable - State of Tennessee	48,308	
Accrued expenses	70,317	
Total current liabilities		$ 584,538
Long-term debt, net of current installments		811,937
		1,396,475
Net Assets:		
Unrestricted:		
Undesignated	1,880,390	
Board-designated	559,418	
Total unrestricted		2,439,808
Temporarily restricted	506,208	
Permanently restricted	4,480	
Total restricted		510,688
		2,950,496
		$ 4,346,971

See accompanying notes to consolidated financial statements.

THE ROCHELLE CENTER AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Unrestricted	Temporarily Restricted	Permanenty Restricted	Total
Support and Revenues:				
Contributions	$ 3,532	$ 50,000	$ -	$ 53,532
United Way	37,903	-	-	37,903
Government grants and contracts	2,399,372	-	-	2,399,372
Supported employment	27,791	-	-	27,791
Program fees	11,692	-	-	11,692
Residential income	110,312	-	-	110,312
Workshop sales	512,233	-	-	512,233
Freight revenue	14,040	-	-	14,040
Special events	138,331	-	-	138,331
Investment income	35,166	-	98	35,264
Miscellaneous	773	-	-	773
Net assets released from restrictions	35,927	(34,686)	(1,241)	-
Total support and revenues	3,327,072	15,314	(1,143)	3,341,243
Expenses:				
Program services:				
Developmental services	531,731	-	-	531,731
Residential services	929,595	-	-	929,595
Production center	1,245,277	-	-	1,245,277
Supported employment	98,303	-	-	98,303
Total program services	2,804,906	-	-	2,804,906
Supporting services:				
Management and general	592,763	-	-	592,763
Fundraising	100,650	-	-	100,650
Total supporting services	693,413	-	-	693,413
Total expenses	3,498,319	-	-	3,498,319
Increase (decrease) in net assets	(171,247)	15,314	(1,143)	(157,076)
Net assets, beginning of year, as restated	2,611,055	490,894	5,623	3,107,572
Net assets, end of year	$ 2,439,808	$ 506,208	$ 4,480	$ 2,950,496

See accompanying notes to consolidated financial statements.

	Supporting Services		
Total Program Services	Management and General	Fundraising	Total Expenses
$ 1,306,738	$ 285,330	$ -	$ 1,592,068
248,381	48,234	-	296,615
1,555,119	333,564	-	1,888,683
29,313	-	-	29,313
40,210	2,183	215	42,608
106,704	2,399	-	109,103
765	170	-	935
38,971	9,383	-	48,354
41,317	2,873	-	44,190
37,612	5,405	3,422	46,439
44,772	187,821	-	232,593
105,888	-	-	105,888
100,567	5,856	-	106,423
-	-	96,938	96,938
227,477	7,111	75	234,663
24,918	350	-	25,268
120,818	-	-	120,818
167,296	-	-	167,296
2,641,747	557,115	100,650	3,299,512
163,159	35,648	-	198,807
$ 2,804,906	$ 592,763	$ 100,650	$ 3,498,319

THE ROCHELLE CENTER AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

Cash Flows From Operating Activities:		
Decrease in net assets		$ (157,076)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	$ 198,807	
Allowance for doubtful accounts	25,487	
Recoupment - State of Tennessee	314,725	
Interest income	(32,554)	
Changes in:		
Accounts receivable	258,419	
Inventory	(4,112)	
Prepaid expenses	(10,255)	
Acccounts payable	(19,151)	
Loan - State of Tenneessee	(244,914)	
Recoupment - State of Tennessee	(52,455)	
Accrued expenses	26,140	
Total adjustments		460,137
Net cash provided by operating activities		303,061
Cash Flows from Investing Activities:		
Net change in cash whose use is limited	79,549	
Purchases of certificates of deposit	(50,000)	
Proceeds from maturities of certificates of deposit	108,742	
Purchase of equipment	(306,299)	
Net cash used in investing activities		(168,008)
Cash Flows from Financing Activities:		
Payments on long-term debt	(15,409)	
Net cash used in financing activities		(15,409)
Net increase in cash		119,644
Cash - beginning of year		24,826
Cash - end of year		$ 144,470

Supplemental Cash Flow Information:

Interest paid during the year ended June 30, 2009, was $44,190.
During the year ended June 30, 2009, the Organization financed property in the amount of $80,000.

See accompanying notes to consolidated financial statements.

NOTE 1 - Summary of Significant Accounting Policies

a. Nature of Activities

The Rochelle Center (the "Center") is a nonprofit organization located in Nashville, Tennessee. For over 30 years, the Rochelle Center has 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 Rochelle Center is the sole member of Bagel Works and Perks (BWP), a nonprofit Tennessee limited liability company. BWP operates a restaurant in Brentwood, Tennessee, for the purpose of providing job training for consumers of The Rochelle Center to work in the restaurant industry.

The term "Organization" is used throughout these notes to the consolidated financial statements to identify both The Rochelle Center (the "Center") and its subsidiary Bagel Works and Perks.

b. Basis of Presentation

The accompanying consolidated 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, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are 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. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

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

c. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted cash and investment instruments purchased with original maturities of three months or less to be cash equivalents. At June 30, 2009, there were no cash equivalents.

d. Principles of Consolidation

The Organization's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The Organization consolidates all entities that are controlled by ownership of a majority voting interest. As of June 30, 2009, the Organization owns 100% of BWP, all activities of BWP have been consolidated, and all inter-company transactions have been eliminated in accordance with generally accepted accounting principles.

NOTE 1 - Summary of Significant Accounting Policies (continued)

e. Concentration of Credit Risk

The Organization maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe that it is exposed to any significant credit risk on its cash.

f. Accounts Receivable

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding accounts. The Organization has reserved $26,861 in potential bad debts at June 30, 2009.

g. Investments

Effective January 1, 2008, the Organization adopted a new accounting standard relating to the fair market investment valuation. This standard establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standard defines fair value at the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The adoption of the standard had no impact on any asset's financial position or results of operations. The standard applies to all assets and liabilities that are measured and reported on a fair value basis and enables 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. The statement requires that each asset and liability carried at fair value be 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 that are not corroborated by market data

All of the Organization's investments are based on level 1 inputs at the active market price as of June 30, 2009.

h. Inventory

Inventory is recorded at fair market value on a first in, first out basis.

i. 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. The Organization's 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.

Property and equipment donated with explicit restrictions regarding their use and contributions of cash that 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, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service and also reclassifies the temporarily restricted nets assets to unrestricted net assets at that time.

NOTE 1 - Summary of Significant Accounting Policies (continued)

i. Property and Equipment (continued)

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.

j. Income Tax Status

The Center is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and the Center is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. The Center is the sole member of Bagel Works and Perks, which is a nonprofit Tennessee limited liability company and is exempt from Tennessee Franchise and Excise tax.

Therefore, no provision for income taxes is included in the accompanying financial statements.

k. Functional Allocation of Expenses

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

l. Use of Estimates

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

m. Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments.

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

n. Donated Services

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the Statements of Activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

o. Revenue Recognition

For the Center, fee income is recognized in the period in which services are provided to consumers based on a contractual rate per client per day. Rates paid to the Center are determined by the State of Tennessee per client based on the level of care required.

THE ROCHELLE CENTER AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 - Accounts Receivable

At June 30, 2009, the Organization was due the following amounts:

Production contracts	$ 36,350
Tennessee Department of Intellectual Disabilities Services	204,636
Residential	30,699
Special events	53,417
Bagel Works customers	3,810
	328,912
Less: allowance for bad debts	(26,861)
	$ 302,051

NOTE 3 - Investments

At June 30, 2009, the Organization had certificates of deposit and shares of preferred stock included in investments as follows:

4 certificates of deposit with rates varying from 2.95% to 3.92% with maturity dates from February 2010 to December 2010	$ 962,689
Eight shares of preferred stock in Meriwether Capital Corporation	8,000
	$ 970,689

NOTE 4 - Net Assets

At June 30, 2009, the Board of Directors has designated $559,418 in designated net assets to be used for future building and equipment purchases and repairs.

Also at June 30, 2009, the Organization held assets whose use was temporarily restricted by the donors as follows:

THDA grant	$ 306,400
MDHA grant	118,982
Memorials	4,800
Bar code equipment	4,026
Wheelchair accessible van	50,000
Sensory garden	22,000
	$ 506,208

Also at June 30, 2009, the Organization had $4,480 held in assets whose use was permanently restricted in an endowment with the Community Foundation of Middle Tennessee.

NOTE 5 - Long-term Debt

Long-term debt at June 30, 2009, consists of the following:

First mortgage note payable to U.S. Bank with a maturity of June 2, 2014. Monthly payments of $1,207 are required based on 238 months amortization with interest at 5.25%. The note is collateralized by real and personal property located at 1132 Graycroft Avenue, Madison, Tennessee.	$	178,550
First mortgage note payable to U.S. Bank with a maturity of June 2, 2014. Monthly payments of $325 are required based on 25 years amortization with interest at 4.94%. The note is collateralized by real and personal property located at 1088 12th Avenue South, Nashville, Tennessee.		49,973
First mortgage note payable to Avenue Bank with a maturity of April 16, 2013. Monthly payments of $1,587 are required based on a 5 year amortization with interest at 5.5%. The note is collateralized by real and personal property located at 7244 Old Harding Pike, Nashville, Tennessee, 209 Wellington Drive, Nashville, Tennessee, and 4412 Gra Mar, Nashville, Tennessee.		251,235
First mortgage note payable to Avenue Bank with a maturity of March 12, 2013. Monthly payments of $495 are required based on a 5 year amortization with interest at 5.5%. The note is collateralized by real and personal property located at 4560 White's Creek Pike, White's Creek, TN.		78,257
First mortgage note payable to Avenue Bank with a maturity of March 5, 2013. Monthly payments of $619 are required based on a 5 year amortization with interest at 5.5%. The note is collateralized by real and personal property located at 212 Foxwood Lane, Nashville, TN.		97,499
First mortgage note payable to Sara Wood with a maturity of November 2, 2011. Monthly payments of $537 are required, including 5% interest. The remaining principal amount is due in December 2012. The note is collateralized by real property located at 4536 Andrew Jackson Parkway, Nashville, Tennessee.		96,006
First mortgage note payable to Avenue Bank with a maturity of December 29, 2913. Monthly payments of $494 are required with interest at 5.5%. The note is collateralized by real property located at 6244 Rocky Top Drive in Antioch, Tennessee.		79,234
		830,754
Less: current maturities		(18,817)
	$	811,937

NOTE 5 - Long-term Debt (continued)

The following is a schedule of future maturities:

Year Ending June 30,	
2010	$ 18,817
2011	112,646
2012	19,429
2013	480,059
2014	158,049
Thereafter	41,754
	$ 830,754

There is also a loan payable totaling $48,308 to the State of Tennessee Department of Intellectual Disabilities Services, which will be repaid in full via withholding from the June 2009 remittance. The loan bears no interest rate and is not collateralized.

NOTE 6 - Accrued Expenses

At June 30, 2009, expenses were accrued for the following:

Accrued PTO (paid time off)	$ 34,193
Accrued wages payable	28,708
Accrued interest payable	2,873
Other accruals	4,543
	$ 70,317

NOTE 7 - Lease Agreement

The Organization leases various office equipment and real property under lease arrangements classified as operating leases. The leases are payable in monthly payments totaling $9,529 and expire at various dates through June 2011. Total rent expense for the year ended June 30, 2009, was $105,888.

Future minimum lease payments are as follows:

Year Ending June 30,	
2010	$ 78,337
2011	72,084
	$ 150,421

NOTE 8 - Related Party Transactions

The Center has a $100,000 note receivable from Bagel Works and Perks (BWP), which has been eliminated in consolidation. There are other trade receivables and payables between The Center and BWP, which have also been eliminated in the consolidated financial statements.

NOTE 9 - Contingencies

Revenue Sources

The Center receives a substantial amount of its support and revenues from governmental agencies. A significant reduction in the level of this support may reflect on the Center's future programs and activities. In addition, the funding received from the governmental agencies is subject to audit and retroactive adjustment by the governmental agencies.

Lawsuits

From time to time, the Organization may be named as a defendant in lawsuits filed by a former employee or its clients. At June 30, 2009, the Company does not believe that any claims have merit and intends to vigorously defend its position for all outstanding claims.

Settlement with the State of Tennessee

During the year ended June 30, 2009, the Rochelle Center and the State of Tennessee Division of Intellectual Disabilities Services (DIDS) agreed to settle certain issues related to compliance with DIDS contracts. At June 30, 2009, the Center owes the State of Tennessee a total of $262,270 as a result of the settlement. The State of Tennessee will recoup the amount owed by the Center by withholding approximately $21,855 each month from the normal remittances paid to the Rochelle Center for services rendered.

The new executive director has established and implemented for the 2009/2010 fiscal year a more rigorous management and quality assurance plan so that overall organizational performance continues to improve.

NOTE 10 - Subsequent Events

Foundation

The W.R. Rochelle Foundation was created by the management of The Rochelle Center in the 2010 fiscal year as a not-for-profit entity. The Foundation may be used in the future to serve as the lessor of certain real estate holdings owned by The Rochelle Center. At June 30, 2009, the Foundation has no assets and there has been no activity.

THDA Grant

During the year ended June 30, 2009, The Rochelle Center was awarded $250,000 from THDA to purchase a house for the residential program in either Williamson County or Cheatham County, Tennessee. The Center has not drawn any of the available funds to purchase the house and has until August 2011 to use the grant funds.

The Organization has evaluated events subsequent to the year ending June 30, 2009. As of October 6, 2009, the date that the financial statements were available to be issued, no events subsequent to the balance sheet date are considered necessary to be included in the financial statements for the year ended June 30, 2009.

APH CPAs

Charles Akersloot, III
Lisa L. Patterson
Sarah C. Hardee

To the Board of Directors
The Rochelle Center and Subsidiary

Our report on our audit of the basic consolidated financial statements of The Rochelle Center and Subsidiary for 2009 appears on page 1. This audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information on pages 15-23 is presented for the purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

APH CPAs

October 6, 2009

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THE ROCHELLE CENTER AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

	The Rochelle Center	Bagel Works	Eliminations	Consolidated
	ASSETS			
Current Assets:				
Cash	$ 78,664	$ 65,806	$ -	$ 144,470
Investments	970,689	-	-	970,689
Receivables, net of allowance for doubtful accounts of $26,861	432,049	10,281	(140,279)	302,051
Inventory	-	6,925	-	6,925
Prepaid expenses	16,712	9,015	-	25,727
Total current assets	1,498,114	92,027	(140,279)	1,449,862
Investment in Bagel Works	68,916	-	(68,916)	-
Property and Equipment				
Land	49,332	-	-	49,332
Buildings	2,438,639	-	-	2,438,639
Leasehold improvements	-	20,446	-	20,446
Equipment	1,223,609	75,863	-	1,299,472
	3,711,580	96,309	-	3,807,889
Less: accumulated depreciation	(1,972,618)	(8,268)	-	(1,980,886)
	1,738,962	88,041	-	1,827,003
Assets Whose Use is Limited:				
Cash - restricted by the donor	85,305	-	-	85,305
Cash - restricted by the board	559,418	-	-	559,418
Buildings	425,383	-	-	425,383
Total assets whose use is limited	1,070,106	-	-	1,070,106
	$ 4,376,098	$ 180,068	$ (209,195)	$ 4,346,971

THE ROCHELLE CENTER AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (Continued)
JUNE 30, 2009

	The Rochelle Center	Bagel Works	Eliminations	Consolidated
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Current portion of long-term debt	$ 18,817	$ -	$ -	$ 18,817
Accounts payable	167,142	52,169	(34,485)	184,826
Recoupment - State of Tennessee	262,270	-	-	262,270
Loan payable - State of Tennessee	48,308	-	-	48,308
Accrued expenses	68,157	2,160	-	70,317
Total current liabilities	564,694	54,329	(34,485)	584,538
Long-term debt, net of current installments	811,937	100,000	(100,000)	811,937
	1,376,631	154,329	(134,485)	1,396,475
Net Assets:				
Unrestricted :				
Unrestricted net assets	1,929,361	(48,971)	-	1,880,390
Unrestricted board-designated	559,418	-	-	559,418
Total unrestricted net assets	2,488,779	(48,971)	-	2,439,808
Restricted:				
Temporarily restricted net assets	506,208	-	-	506,208
Permanently restricted net assets	4,480	-	-	4,480
Total restricted net assets	510,688	-	-	510,688
Member's equity	-	74,710	(74,710)	-
Total net assets	2,999,467	25,739	(74,710)	2,950,496
	$ 4,376,098	$ 180,068	$ (209,195)	$ 4,346,971

THE ROCHELLE CENTER AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	The Rochelle Center	Bagel Works	Eliminations	Total
Support and Revenues:				
Contributions	$ 53,630	$ -	$ -	$ 53,630
United Way	37,903	-	-	37,903
Government grants and contracts	2,399,372	-	-	2,399,372
Supported employment	27,791	-	-	27,791
Program fees	11,692	-	-	11,692
Residential income	110,312	-	-	110,312
Workshop sales	228,550	283,683	-	512,233
Freight revenue	14,040	-	-	14,040
Special events	138,331	-	-	138,331
Interest and investment income, net	34,564	602	-	35,166
Miscellaneous	773	-	-	773
Total support and revenues	3,056,958	284,285	-	3,341,243
Expenses:				
Program services:				
Developmental services	531,731	-	-	531,731
Residential services	929,595	-	-	929,595
Production center	912,021	333,256	-	1,245,277
Supported employment	98,303	-	-	98,303
Total program services	2,471,650	333,256	-	2,804,906
Supporting services:				
General and Administrative	592,763	-	-	592,763
Fundraising	100,650	-	-	100,650
Total supporting services	693,413	-	-	693,413
Total expenses	3,165,063	333,256	-	3,498,319
Decrease in net assets	(108,105)	(48,971)	-	(157,076)
Member contribution	-	74,710	(74,710)	-
Balance at June 30, 2008	3,107,572	-	-	3,107,572
Balance at June 30, 2009	$ 2,999,467	$ 25,739	$ (74,710)	$ 2,950,496

THE ROCHELLE CENTER AND SUBSIDIARY
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	The Rochelle Center	Bagel Works	Eliminations	Consolidated
Cash Flows from Operating Activities:				
Decrease in net assets	$ (108,105)	$ (48,971)	$ -	$ (157,076)
Adjustments to reconcile decrease in net assets to cash used in operating activities:				
Depreciation	190,539	8,268	-	198,807
Allowance for doubtful accounts	25,487	-	-	25,487
Recoupment - State of Tennessee	314,725	-	-	314,725
Interest income	(32,554)	-	-	(32,554)
Changes in:				
Accounts receivable	258,006	(10,281)	10,694	258,419
Inventory	2,813	(6,925)	-	(4,112)
Prepaid expenses	(1,240)	(9,015)	-	(10,255)
Accounts payable	(71,320)	52,169	-	(19,151)
Loan - State of Tennessee	(244,914)	-	-	(244,914)
Recoupment - State of Tennessee	(52,455)	-	-	(52,455)
Accrued expenses	23,980	2,160	-	26,140
Total adjustments	413,067	36,376	10,694	460,137
Net cash used in operating activities	304,962	(12,595)	10,694	303,061
Cash Flows from Investing Activities:				
Investment in subsidiary	(64,016)	-	64,016	-
Net change in cash whose use is limited	79,549	-	-	79,549
Purchase of certificates of deposit	(50,000)	-	-	(50,000)
Proceeds from maturities of certificates of deposit	108,742	-	-	108,742
Purchase of equipment	(209,990)	(96,309)	-	(306,299)
Net cash used in investing activities	(135,715)	(96,309)	64,016	(168,008)
Cash Flows from Financing Activities:				
Proceeds (payment) from note payable	(100,000)	100,000	-	-
Contribution from member	-	74,710	(74,710)	-
Payments on long-term debt	(15,409)	-	-	(15,409)
Net cash used in financing activities	(115,409)	174,710	(74,710)	(15,409)
Net increase in cash	53,838	65,806	-	119,644
Cash - beginning of year	24,826	-	-	24,826
Cash - end of year	$ 78,664	$ 65,806	$ -	$ 144,470

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

Charles Akersloot, III
Lisa L. Patterson
Sarah C. Hardee

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
The Rochelle Center and Subsidiary

We have audited the consolidated financial statements of The Rochelle Center and Subsidiary as of and for the year ended June 30, 2009, and have issued our report thereon dated October 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered The Rochelle Center and Subsidiary's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Rochelle Center and Subsidiary's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's consolidated financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (2009-2, 2009-3 and 2009-4) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Rochelle Center and Subsidiary's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2009-1.

We noted certain matters that we reported to management and the Board of Directors of The Rochelle Center and Subsidiary in a separate letter dated October 6, 2009, in accordance with SAS 114.

The Rochelle Center and Subsidiary's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit The Rochelle Center and Subsidiary's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors of The Rochelle Center and Subsidiary and the Tennessee Department of Intellectual Disability Services, and is not intended to be and should not be used by anyone other than these specified parties.

AHH CPAs

October 6, 2009

THE ROCHELLE CENTER AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of The Rochelle Center and Subsidiary.

2. Three significant deficiencies disclosed during the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards. The conditions are not reported as material weaknesses.

3. Four instances of noncompliance of The Rochelle Center and Subsidiary were disclosed during the audit.

FINDINGS - FINANCIAL STATEMENTS AUDIT

2009-1

Criteria: The Organization is required to maintain approved Individual Service Plans (ISP) for each consumer receiving services.

Condition: Four consumers did not have an approved ISP in their file for the period selected for testing.

Questioned Costs: No amounts could be attributed to this finding.

Perspective Information: An approved ISP was reviewed for subsequent periods.

Cause: The missing ISP was replaced in the file by the subsequent ISP, rather than maintaining it in the file.

Effect: It is difficult to confirm eligibility for prior billings without all ISP forms.

Recommendations: We recommend maintaining all prior ISP forms in the files.

Response: Management does not consider this to be an exception because the prior period ISP's were archived after the most recent State compliance audit. The archives were not readily accessible during our audit. Management will relate the importance of proper record keeping to all staff and develop a more accessible archive system.

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

2009-2

Criteria: The Organization is required to maintain documentation of all services provided and billed for all State contracts.

Condition: Documentation was not found for four days that were billed to the State.

Questioned Costs: State was incorrectly billed $138.20. Amount was calculated using the number of days unsupported by documentation and the consumers' eligible billing rates.

Perspective Information: We extrapolated the errors found during testing to the population and found that the potential errors would not materially misstate the financial statements of The Rochelle Center and Subsidiary.

Cause: Billing worksheets were prepared based on daily documentation of attendance for consumers, but the daily notes are not reconciled to these attendance records.

Effect: The state was billed for four days that four consumers were not in attendance.

Recommendations: Reconciliation of the daily documentation of attendance and the daily notes prior to the State billing will prevent erroneous billings.

Response: Management recognizes the need for reconciliations and will implement a policy that requires reconciliations of daily consumer notes to the billing worksheets before the monthly billing.

2009-3

Criteria: The Organization is required to maintain documentation of all services provided and billed for all State contracts.

Condition: Documentation was found for four days but the amounts were not billed to the State.

Negative Finding: State was underbilled $130.40. Amount was calculated using the number of days supported by documentation and the consumers' eligible billing rates.

Perspective Information: We extrapolated the errors found during testing to the population and found that the potential errors would not materially misstate the financial statements of The Rochelle Center and Subsidiary.

Cause: Billing worksheets were prepared based on daily documentation of attendance for consumers, but the daily notes are not reconciled to these attendance records.

Effect: The state was underbilled for four days that two consumers were in attendance.

Recommendations: Reconciliation of the daily documentation of attendance and the daily notes prior to the State billing will prevent underbillings.

Response: Management recognizes the need for reconciliations and will implement a policy that requires reconciliations of daily consumer notes to the billing worksheets before the monthly billing.

2009-4

Criteria: The Organization is required to maintain documentation of all services provided and billed for all State contracts.

Condition: Documentation in the form of the "daily note" was not found for one day but the amount was billed to the State.

Questioned Costs: No amounts could be attributed to this finding, due to the information described in the Perspective Information.

THE ROCHELLE CENTER AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Perspective Information:	While we did not find a daily note for the day in question, we did find that the consumer was recorded as present in the attendance log and that the consumer was documented as working in the workshop for the day in question. Billing to the State appears proper even in the absence of the daily note.
Cause:	Billing worksheets were prepared based on daily documentation of attendance for consumers, but the daily notes are not reconciled to these attendance records.
Effect:	The state was properly billed; however, the daily notes do not reflect the consumer's attendance.
Recommendations:	Reconciliation of the daily documentation of attendance and the daily notes prior to the State billing will provide required documentation for billings.
Response:	Management recognizes the need for reconciliations and will implement a policy that requires reconciliations of daily consumer notes to the billing worksheets before the monthly billing.