

THE ROCHELLE CENTER

FINANCIAL STATEMENTS

JUNE 30, 2021

WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

(With Independent Auditor's Report Thereon)

THE ROCHELLE CENTER
FINANCIAL STATEMENTS
JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

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THE ROCEHLLLE CENTER
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2021

Bill Canak	Chair
Kathleen Byington	Vice Chair
James Bradshaw, III	Treasurer
Roxanne McDonald	Secretary
Kevin Taylor	Past Chair
Robbie Landers	Board Member
Bill Torrence	Board Member
Regina Newsom	Board Member
Zach Saei	Board Member
Tom Tribke	Board Member
Eleanor Willis	Board Member



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Rochelle Center

Report on the Financial Statements

We have audited the accompanying financial statements of The Rochelle Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Rochelle Center as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Rochelle Center's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying roster of Board of Directors, as required by the Tennessee Comptroller of the Treasury, as per the Auditing & Accounting for Local Governmental Units and Other Organizations, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of The Rochelle Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of The Rochelle Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Rochelle Center's internal control over financial reporting and compliance.

Patterson Handley & Bellantone

October 29, 2021

THE ROCHELLE CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash	\$ 1,949,325	\$ 1,657,147
Restricted cash	14,360	14,360
Investments	11,169	9,115
Receivables	317,702	334,376
Prepaid expenses	16,181	15,320
Total current assets	<u>2,308,737</u>	<u>2,030,318</u>
Property and Equipment:		
Land	-	41,051
Buildings	1,951,003	2,971,864
Equipment	<u>1,540,917</u>	<u>1,584,151</u>
	3,491,920	4,597,066
Less: accumulated depreciation	<u>(1,995,386)</u>	<u>(3,092,601)</u>
Total property and equipment, net	<u>1,496,534</u>	<u>1,504,465</u>
Other Assets:		
Land held for sale	41,051	-
Building held for sale, net	<u>91,613</u>	<u>-</u>
Total other assets	<u>132,664</u>	<u>-</u>
Assets Whose Use is Limited:		
Restricted investments - Community Foundation	<u>13,181</u>	<u>10,696</u>
Total assets whose use is limited	<u>13,181</u>	<u>10,696</u>
Total assets	<u><u>\$ 3,951,116</u></u>	<u><u>\$ 3,545,479</u></u>

See accompanying notes to the financial statements.

THE ROCHELLE CENTER
STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
Current Liabilities:		
Current installments of long-term debt	\$ 537,514	\$ 236,325
Accounts payable	48,244	39,732
Accrued expenses	<u>153,205</u>	<u>123,754</u>
Total current liabilities	738,963	399,811
Long-term debt, net of current installments	<u>191,702</u>	<u>490,819</u>
Total liabilities	<u>930,665</u>	<u>890,630</u>
Net Assets:		
Without donor restrictions	2,992,910	2,629,793
With donor restrictions	<u>27,541</u>	<u>25,056</u>
Total net assets	<u>3,020,451</u>	<u>2,654,849</u>
Total liabilities and net assets	<u><u>\$ 3,951,116</u></u>	<u><u>\$ 3,545,479</u></u>

See accompanying notes to the financial statements.

THE ROCHELLE CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
Public Support and Revenues:				
Gross special event revenue	\$ 64,738	\$ -	\$ 64,738	\$ 249,874
Less direct cost of special events	(37,364)	-	(37,364)	(167,762)
Net special events revenue	27,374	-	27,374	82,112
Public support:				
Contributions	26,324	-	26,324	27,905
Government contracts	2,329,111	-	2,329,111	2,671,853
Grant Income	34,060	-	34,060	-
Program fees	96	-	96	1,345
Residential income	265,389	-	265,389	238,415
Investment income, net	2,567	2,485	5,052	11,174
Total public support	2,657,547	2,485	2,660,032	2,950,692
Other Revenue:				
Forgiveness on debt	399,300	-	399,300	-
Gain on sale of assets	123,872	-	123,872	-
Total public support and revenue	3,208,093	2,485	3,210,578	3,032,804
Expenses:				
Program services:				
Developmental services	207,918	-	207,918	683,360
Residential services	2,058,061	-	2,058,061	1,873,190
Total program services	2,265,979	-	2,265,979	2,556,550
Supporting services:				
Management and general	577,349	-	577,349	525,503
Fundraising	1,648	-	1,648	1,680
Total supporting services	578,997	-	578,997	527,183
Total expenses	2,844,976	-	2,844,976	3,083,733
Increase (decrease) in net assets	363,117	2,485	365,602	(50,929)
Net assets - beginning of year	2,629,793	25,056	2,654,849	2,705,778
Net assets - end of year	\$ 2,992,910	\$ 27,541	\$ 3,020,451	\$ 2,654,849

See accompanying notes to the financial statements.

THE ROCHELLE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	Program Services			
	<u>Developmental services</u>		<u>Residential services</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Salaries	\$ 113,131	\$ 373,206	\$ 1,297,195	\$ 1,255,041
Payroll taxes and benefits	19,896	98,227	215,139	171,957
Total personnel costs	133,027	471,433	1,512,334	1,426,998
Bad debts	-	-	11,453	837
Communications	15,116	25,036	61,097	54,712
Contracted services	6,581	5,723	28,131	17,609
Dues and subscriptions	4,380	6,732	6,870	7,098
Insurance	9,372	17,798	44,142	19,398
Interest	-	-	4,205	2,981
Miscellaneous	2,111	7,659	9,140	9,120
Professional fees	4,390	6,380	7,741	5,007
Rent	1,607	4,064	2,695	3,239
Repairs and maintenance	15,301	32,722	79,597	76,705
Special events	-	-	-	-
Supplies	50	3,943	113,751	101,918
Travel and transportation	1,043	34,841	8,451	9,919
Utilities	11,395	20,329	61,115	56,990
Depreciation	-	44,444	99,021	75,334
Office Supplies	3,545	2,256	8,318	5,325
Total expenses by function	207,918	683,360	2,058,061	1,873,190
Less expenses included with revenues on the statement of activities:				
Direct cost of special events	-	-	-	-
Total expenses included in the expense section on the statement of activities	\$ 207,918	\$ 683,360	\$ 2,058,061	\$ 1,873,190

See accompanying notes to the financial statements.

THE ROCHELLE CENTER
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	Supporting Services				
	Total program services		Management and general		Fundraising
	2021	2020	2021	2020	2020
Salaries	\$ 1,410,326	\$ 1,628,247	\$ 374,144	\$ 320,028	\$ -
Payroll taxes and benefits	235,035	270,184	80,892	77,497	-
Total personnel costs	1,645,361	1,898,431	455,036	397,525	-
Bad debts	11,453	837	-	-	-
Communications	76,213	79,748	4,175	4,700	-
Contracted services	34,712	23,332	501	251	1,500
Dues and subscriptions	11,250	13,830	8,677	9,128	-
Insurance	53,514	37,196	10,201	12,666	-
Interest	4,205	2,981	-	-	148
Miscellaneous	11,251	16,779	361	595	-
Professional fees	12,131	11,387	15,597	15,221	-
Rent	4,302	7,303	478	769	-
Repairs and maintenance	94,898	109,427	23,609	25,982	-
Special events	-	-	-	-	167,762
Supplies	113,801	105,861	7,514	21,994	-
Travel and transportation	9,494	44,760	6,152	6,826	-
Utilities	72,510	77,319	9,046	7,689	-
Depreciation	99,021	119,778	21,748	14,393	-
Office Supplies	11,863	7,581	14,254	7,764	180
Total expenses by function	2,265,979	2,556,550	577,349	525,503	169,442
Less expenses included with revenues on the statement of activities:					
Direct cost of special events	-	-	-	-	(37,364)
Total expenses included in the expense section on the statement of activities	\$ 2,265,979	\$ 2,556,550	\$ 577,349	\$ 525,503	\$ 1,680

See accompanying notes to the financial statements.

THE ROCHELLE CENTER
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	<u>Total supporting services</u>		<u>Total expenses</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Salaries	\$ 374,144	\$ 320,028	\$ 1,784,470	\$ 1,948,275
Payroll taxes and benefits	80,892	77,497	315,927	347,681
Total personnel costs	455,036	397,525	2,100,397	2,295,956
Bad debts	-	-	11,453	837
Communications	4,175	4,700	80,388	84,448
Contracted services	2,001	1,751	36,713	25,083
Dues and subscriptions	8,677	9,128	19,927	22,958
Insurance	10,201	12,666	63,715	49,862
Interest	148	-	4,353	2,981
Miscellaneous	361	595	11,612	17,374
Professional fees	15,597	15,221	27,728	26,608
Rent	478	769	4,780	8,072
Repairs and maintenance	23,609	25,982	118,507	135,409
Special events	37,364	167,762	37,364	167,762
Supplies	7,514	21,994	121,315	127,855
Travel and transportation	6,152	6,826	15,646	51,586
Utilities	9,046	7,689	81,556	85,008
Depreciation	21,748	14,393	120,769	134,171
Office Supplies	14,254	7,944	26,117	15,525
Total expenses by function	616,361	694,945	2,882,340	3,251,495
Less expenses included with revenues on the statement of activities:				
Direct cost of special events	(37,364)	(167,762)	(37,364)	(167,762)
Total expenses included in the expense section on the statement of activities	\$ 578,997	\$ 527,183	\$ 2,844,976	\$ 3,083,733

See accompanying notes to the financial statements.

THE ROCHELLE CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Increase (decrease) in net assets	\$ 365,602	\$ (50,929)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	120,769	134,172
Gain on sale of property and equipment	(123,872)	-
Gain on extinguishment of debt	(399,300)	-
Investment income, net	(4,539)	457
Changes in:		
Receivables	16,674	5,929
Prepaid expenses	(861)	36,765
Accounts payable	8,512	7,811
Accrued expenses	29,451	12,145
Total adjustments	<u>(353,166)</u>	<u>197,279</u>
Net cash provided by operating activities	<u>12,436</u>	<u>146,350</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(382,235)	(310,275)
Proceeds from sale of property and equipment	260,605	-
Net cash used in investing activities	<u>(121,630)</u>	<u>(310,275)</u>
Cash Flows from Financing Activities:		
Issuance of long-term debt	406,285	399,300
Payments on long-term debt	(4,913)	(63,498)
Net cash provided by financing activities	<u>401,372</u>	<u>335,802</u>
Net increase in cash	292,178	171,877
Cash and restricted cash - beginning of year	<u>1,671,507</u>	<u>1,499,630</u>
Cash and restricted cash - end of year	<u><u>\$ 1,963,685</u></u>	<u><u>\$ 1,671,507</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION:

Noncash financing activities:

Interest on debt: \$4,353 and \$2,981 in 2021 and 2020, respectively.

Forgiveness of Paychex Protection Program loan: \$399,300 in 2021

Noncash investing activities:

Financing of building: \$100,000 in 2020

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

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

Program Services

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

Developmental Services - Provide meaningful day activities through community based services and offer work and skill development opportunities and a means to earn training wages for disadvantaged or disabled people who cannot otherwise find work training programs.

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

Basis of Presentation

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Prior Year Summarized Financial Information

While comparative information is not required under United States generally accepted accounting principles ("US GAAP"), we believe this information is useful and have included certain summarized financial information from our 2020 financial statements. Such summarized information is not intended to be a complete presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with our financial statements as of and for the year ended June 30, 2020, from which it was derived.

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

Fee income is recognized in the period in which services are provided based on a contractual rate per client per day. Rates paid to us are determined by the State of Tennessee per client based on the level of care required. In addition, the funding received from the State of Tennessee is subject to audit and retroactive adjustment.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in the new revenue recognition standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

Performance Obligations Satisfied at a Point in Time

Revenues that do not satisfy the criteria for recognition over time are recognized at a point in time. Upon fulfillment of the performance obligation, which is the services provided to the customer, revenue is recognized. The Center believes that point in time recognition remains appropriate and will continue to recognize revenues as services are provided. Revenue from services transferred to customers at a point in time accounted for 83% of revenue for the year ended June 30, 2021.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all investment instruments purchased with original maturities of three months or less to be cash equivalents. At June 30, 2021 and 2020, there were no cash equivalents.

Accounts Receivable

We record receivables from promises to give when they are pledged. Bad debts are recognized on the allowance method based on historical experience and our evaluation of outstanding accounts. No allowance has been recorded for the years ended June 30, 2021 and 2020.

Investments

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

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

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Investments (continued)

The following table summarizes our financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in agency endowment fund	\$ -	\$ -	\$ 13,181	\$ 13,181
Money Market Funds and Equities	11,169	-	-	11,169
	<u>\$ 11,169</u>	<u>\$ -</u>	<u>\$ 13,181</u>	<u>\$ 24,350</u>

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

- We obtained a summary statement directly from the Community Foundation of Middle Tennessee with the value of the endowment fund as of June 30, 2021. The amounts are reported as Level 3 due to the underlying investments held by the Community Foundation.
- We obtained a summary investment statement from Regions Investment Solutions with the value of the investments as of June 30, 2021. The amounts are reported as Level 1 due to the Money Market Funds and Equities being publicly traded.

There were no transfers between Level 1, Level 2, and Level 3 investments during the year ended June 30, 2021.

A reconciliation of changes in the amounts reported for the assets valued using Level 3 inputs are included in NOTE 9.

Prepaid Expenses

Prepaid expenses consist of insurance premiums, special event venue deposits, and Metro Transit Authority bus passes.

Property and Equipment

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

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At June 30, 2021, no assets were considered to be impaired.

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

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Income Tax Status

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

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Functional expenses are classified on an invoice by invoice basis. Salaries are allocated based on actual time spent on each function. Depreciation and other occupancy expenses are allocated based on square footage used for each function.

Advertising

Advertising is expensed as incurred.

Use of Estimates

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

Fair Values of Financial Instruments

The fair values of current assets, current liabilities, long-term liabilities, and restricted cash approximate the carrying values due to the short maturities of these instruments and they are all Level 1 in the fair value hierarchy other than the Community Foundation endowment in NOTE 9, which is considered a Level 3 investment.

The fair values of long-term debt approximate the carrying values, they are estimated based on current rates offered to us, and they are all Level 1 in the fair value hierarchy.

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Financial assets for the year ended	
Cash	\$ 1,949,325
Investments	11,169
Receivables	317,702
	<u>\$ 2,278,196</u>

The Organization has certain board-designated assets limited to use, which are available for general expenditure within one year in the normal course of operations, in the amount of \$322,000 . Accordingly, these assets have been included in the qualitative information above. The Organization also has certain donor-restricted assets limited to use which are only available for restricted programs. Accordingly, these assets have been excluded from the qualitative information above.

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

NOTE 2 - Availability and Liquidity (continued)

In the next fiscal year, we plan to receive the same level of income from government contracts, and consider this income for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization's has minimal amounts of liabilities that we do not see as being forgivable due to the majority of the debt being related to the Paycheck Protection Program CARES Loan, see NOTE 6 for further explanation.

Cash is currently held in multiple bank accounts including money market accounts to generate interest. This cash is considered readily available. We manage our liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.

NOTE 3 - Accounts Receivable

A summary of the accounts receivable held at June 30, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
ECF	\$ 44,438	\$ 43,654
Tennessee Department of Intellectual Disabilities Services	230,972	268,215
Residential	<u>42,292</u>	<u>22,507</u>
	317,702	334,376
Less: allowance for bad debts	<u>-</u>	<u>-</u>
	<u><u>\$ 317,702</u></u>	<u><u>\$ 334,376</u></u>

NOTE 4 - Investments

In the year ended June 30, 2014, we received an investment portfolio as a donation for attending a fundraising event. The investment portfolio had a fair market value of \$4,282 at the date of donation. At June 30, 2021 and 2020, the investments in this portfolio had a fair market value of \$11,169 and \$9,115, respectively.

Investments consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Equities	\$ 9,239	\$ 7,379
Flex Insured Account	<u>1,930</u>	<u>1,736</u>
	<u><u>\$ 11,169</u></u>	<u><u>\$ 9,115</u></u>

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

NOTE 5 - Accrued Expenses

At June 30, 2021 and 2020, expenses were accrued for the following:

	<u>2021</u>	<u>2020</u>
Accrued paid time off	\$ 27,391	\$ 33,225
Accrued wages payable	87,836	70,475
Deferred revenue (Special Events)	4,000	3,133
Other accruals	33,978	16,921
	<u>\$ 153,205</u>	<u>\$ 123,754</u>

NOTE 6 - Long-term Debt

Long-term debt at June 30, 2021 and 2020, consists of the following:

	<u>2021</u>	<u>2019</u>
First mortgage note payable to Regions Bank with a maturity of September 1, 2024. Monthly payments of \$760 are required with interest at 4.40%. The note is collateralized by real and personal property.	\$ 91,582	\$ 96,495
U.S. Small Business Administration Paycheck Protection Plan under the Coronavirus Aid, Relief, and Economic Security Act Loan with a maturity of September 5, 2022 and interest rate of 1.00%.	406,285	-
U.S. Small Business Administration Paycheck Protection Plan under the Coronavirus Aid, Relief, and Economic Security Act Loan. The Organization was notified of the forgiveness payment as of November 10, 2020.	-	399,300
Grant notes payable to THDA with maturities through August 25, 2021. There are no monthly payments required and these are non-interest bearing notes. The Rochelle Center is not required to pay the notes back if the properties in the grant notes are kept until their maturities.	<u>231,349</u>	<u>231,349</u>
	729,216	727,144
Less: current maturities	<u>(537,514)</u>	<u>(236,325)</u>
	<u>\$ 191,702</u>	<u>\$ 490,819</u>

The following is a schedule of future maturities:

<u>Year Ended June 30,</u>	
2022	\$ 537,514
2023	110,753
2024	5,677
2025	75,272
	<u>\$ 729,216</u>

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 7 – Net Assets with Donor Restrictions

At June 30, 2021 and 2020, we held assets whose use was restricted by donors or grantors as follows:

	<u>2021</u>	<u>2020</u>
Cash held for specific purpose (temporary):		
Music Therapy Program	\$ 1,745	\$ 1,745
Purchase of Van	4,725	4,725
Purchase of Vehicles	3,500	3,500
Client Awards	1,400	1,400
First Aid/CPR	2,990	2,990
	<u>14,360</u>	<u>14,360</u>
Restricted investment (See NOTE 9):	<u>13,181</u>	<u>10,696</u>
Total net assets with donor restrictions	<u>\$ 27,541</u>	<u>\$ 25,056</u>

NOTE 8 - Lease Agreement

We lease various office equipment and real property under lease arrangements classified as operating leases. Most of our leases are on a month-to-month or as needed basis. We have one operating lease for a copier with monthly payments of \$323. This lease expires in November 2021. Total rent expense for the years ended June 30, 2021 and 2020, was \$ 4,780 and \$ 8,072 , respectively.

A schedule of future minimum lease payments under the non-cancellable operating leases is as follows:

<u>Year Ended June 30,</u>	
2022	\$ 1,912
	<u>\$ 1,912</u>

NOTE 9 - Community Foundation Endowment

The Community Foundation of Middle Tennessee (the "Foundation"), a non-profit organization, is in control of an endowment fund for The Rochelle Center. The Foundation has ultimate authority and control over all property of the fund and the income derived therefrom; however, the endowment is considered to be a reciprocal transfer, and is, therefore, recorded as a permanently restricted asset on our Statement of Financial Position. The balance of the fund at June 30, 2021 and 2020, was \$13,181 and \$10,696, respectively.

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

Balance at July 1, 2020		\$ 10,696
Interest income	\$ 331	
Realized gain	786	
Unrealized gain	1,406	
Fees	(38)	
	<u>2,485</u>	
Balance at June 30, 2021		<u>\$ 13,181</u>

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

NOTE 10 - Concentrations and Contingencies

Revenue Sources

We receive a substantial amount of our support and revenues from governmental agencies. A significant reduction in the level of this support may reflect on our future programs and activities. In addition, the funding received from the governmental agencies is subject to audit and retroactive adjustment by the governmental agencies. At June 30, 2021 and 2020, revenue received from governmental agencies was 75% and 83% of total revenue, respectively. At June 30, 2021 and 2020, there was a concentration of 73% and 80% of total receivables due from the State of Tennessee, respectively.

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

Accounts Payable

At June 30, 2021 and 2020, we owed four vendors 45% and four vendors 55% of our total accounts payable, respectively.

NOTE 11 – Assets Held for Sale

At June 30, 2021, we included assets in property, plant, and equipment on the statement of financial position that are held for sale. Accounting principles generally accepted in the United States of America require that assets that are held for sale be recorded as a separate line item on the statement of financial position. The net book value of these assets at June 30, 2021, was \$132,664. As of October 29, 2021, these assets were not sold.

NOTE 12 - Retirement Plan

We sponsor a tax-deferred annuity plan ("Plan") under Section 403(b) of the Internal Revenue Code. In the years ended June 30, 2021 and 2020, we did not make discretionary employer matches for the Plan. There were no expenses for the Plan during the years ended June 30, 2021 and 2020.

NOTE 13 - New Pronouncements

Leases

In February 2016, the FASB amended the Leases topic of Accounting Standards Codification to require all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance leases or operating leases. This distinction will be relevant for the pattern of expense recognition in the statement of operations and retained earnings. The amendments will be effective for us for the year beginning after December 15, 2021. We are currently evaluating the impact of adopting this guidance on the financial statements.

NOTE 14 - Subsequent Events

We have evaluated events subsequent to the year ending June 30, 2021. As of October 29, 2021, the date the financial statements were available to be issued, no events subsequent to June 30, 2021, are considered necessary to be included in the accompanying financial statements.



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of
The Rochelle Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Rochelle Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Rochelle Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Patterson Hardee & Ballentine

October 29, 2021

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THE ROCHELLE CENTER
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

Financial Statement Findings:

There were no prior year findings reported.