
**ROCKETOWN OF MIDDLE TENNESSEE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2011 AND 2010**

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BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rockettown of Middle Tennessee

We have audited the accompanying statements of financial position of Rockettown of Middle Tennessee (a Tennessee not-for-profit corporation, the "Organization") as of June 30, 2011 and 2010 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rockettown of Middle Tennessee as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC

October 17, 2011

**ROCKETOWN OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010**

ASSETS

	2011	2010
Cash	\$ 377,667	\$ 2,765,540
Accounts receivable	3,813	29,462
Contributions receivable, net	118,658	71,041
Interest in net assets	5,011	5,011
Inventories	30,441	24,665
Deposits	662	5,412
Construction in progress	-	3,773,399
Prepaid expenses	350	-
Property and equipment, net	<u>6,712,778</u>	<u>2,506,143</u>
Total assets	<u><u>\$ 7,249,380</u></u>	<u><u>\$ 9,180,673</u></u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 43,092	\$ 75,280
Accrued expenses	<u>32,779</u>	<u>2,711,640</u>
Total liabilities	<u>75,871</u>	<u>2,786,920</u>
Net assets:		
Unrestricted:		
Designated for property and equipment	6,712,778	2,506,143
Undesignated	<u>167,055</u>	<u>3,816,569</u>
Total unrestricted	6,879,833	6,322,712
Temporarily restricted	<u>293,676</u>	<u>71,041</u>
Total net assets	<u>7,173,509</u>	<u>6,393,753</u>
Total liabilities and net assets	<u><u>\$ 7,249,380</u></u>	<u><u>\$ 9,180,673</u></u>

The accompanying notes are an integral part of these financial statements.

**ROCKETOWN OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

	Unrestricted	Temporarily Restricted	Total
Operating revenues:			
Membership dues, cover charges, session fees, lessons	\$ 202,606	\$ -	\$ 202,606
Product revenue	302,493	-	302,493
Facility rentals	201,428	-	201,428
Gain on sale of property and equipment	643,272	-	643,272
Other	44,041	-	44,041
	<u>1,393,840</u>	<u>-</u>	<u>1,393,840</u>
Total operating revenues			
	<u>1,393,840</u>	<u>-</u>	<u>1,393,840</u>
Public support and other revenues:			
Contributions	53,060	878,959	932,019
Foundation contributions and grants	203,880	-	203,880
Special events	89,497	-	89,497
Sponsorships	7,343	-	7,343
Net assets released in satisfaction of program restrictions	656,324	(656,324)	-
	<u>1,010,104</u>	<u>222,635</u>	<u>1,232,739</u>
Total public support and other revenues			
	<u>1,010,104</u>	<u>222,635</u>	<u>1,232,739</u>
Total revenues			
	<u>2,403,944</u>	<u>222,635</u>	<u>2,626,579</u>
Expenses:			
Program services	1,171,857	-	1,171,857
Supporting services:			
Management and general	509,163	-	509,163
Fundraising	165,803	-	165,803
	<u>1,846,823</u>	<u>-</u>	<u>1,846,823</u>
Total expenses			
	<u>1,846,823</u>	<u>-</u>	<u>1,846,823</u>
Changes in net assets	557,121	222,635	779,756
Net assets, beginning of year	6,322,712	71,041	6,393,753
	<u>6,322,712</u>	<u>71,041</u>	<u>6,393,753</u>
Net assets, end of year	<u>\$ 6,879,833</u>	<u>\$ 293,676</u>	<u>\$ 7,173,509</u>

The accompanying notes are an integral part of these financial statements.

**ROCKETOWN OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

	Unrestricted	Temporarily Restricted	Total
Operating revenues:			
Membership dues, cover charges, session fees, lessons	\$ 243,474	\$ -	\$ 243,474
Product revenue	254,607	-	254,607
Facility rentals	71,058	-	71,058
Gain on sale of property and equipment	3,027,068	-	3,027,068
Other	29,545	-	29,545
	<u>3,625,752</u>	<u>-</u>	<u>3,625,752</u>
Total operating revenues			
	<u>3,625,752</u>	<u>-</u>	<u>3,625,752</u>
Public support and other revenues:			
Contributions	135,605	5,000	140,605
Foundation contributions and grants	289,766	57,990	347,756
Special events	286,277	-	286,277
Sponsorships	2,500	-	2,500
Net assets released in satisfaction of program restrictions	113,934	(113,934)	-
	<u>828,082</u>	<u>(50,944)</u>	<u>777,138</u>
Total public support and other revenues			
	<u>828,082</u>	<u>(50,944)</u>	<u>777,138</u>
Total revenues			
	<u>4,453,834</u>	<u>(50,944)</u>	<u>4,402,890</u>
Expenses:			
Program services	1,009,503	-	1,009,503
Supporting services:			
Management and general	381,106	-	381,106
Fundraising	225,201	-	225,201
	<u>1,615,810</u>	<u>-</u>	<u>1,615,810</u>
Total expenses			
	<u>1,615,810</u>	<u>-</u>	<u>1,615,810</u>
Changes in net assets	2,838,024	(50,944)	2,787,080
Net assets, beginning of year	3,484,688	121,985	3,606,673
	<u>3,484,688</u>	<u>121,985</u>	<u>3,606,673</u>
Net assets, end of year	\$ 6,322,712	\$ 71,041	\$ 6,393,753
	<u>\$ 6,322,712</u>	<u>\$ 71,041</u>	<u>\$ 6,393,753</u>

The accompanying notes are an integral part of these financial statements.

**ROCKETOWN OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and wages	\$ 561,617	\$ 100,094	\$ 61,936	\$ 723,647
Payroll taxes	43,059	8,644	8,137	59,840
Employee benefits	<u>53,675</u>	<u>6,891</u>	<u>8,442</u>	<u>69,008</u>
Total payroll and related expenses	658,351	115,629	78,515	852,495
Direct costs of operating revenues:				
Skatepark merchandise	117,393	-	-	117,393
Café merchandise	51,737	-	-	51,737
Entertainment	17,315	-	-	17,315
Bank fees	6	9,151	566	9,723
Design, photography and printing	-	1,478	25	1,503
Dues and subscriptions	393	2,253	2,520	5,166
Food and entertainment	12,856	3,354	4,464	20,674
Gifts	2,228	1,270	1,241	4,739
Giveaways/incentives	5,799	181	300	6,280
Insurance	57,017	3,582	-	60,599
Interest	-	687	-	687
Legal and professional	84	13,747	-	13,831
Marketing and advertising	11,671	1,993	5,519	19,183
Miscellaneous	626	159	30,005	30,790
Moving expenses	-	14,148	-	14,148
Office supplies	257	3,089	38	3,384
Outreach	28	-	-	28
Postage and freight	768	1,204	2,943	4,915
Purchased services - other	40,351	54,597	27,524	122,472
Purchased services - personnel	46,243	17,496	375	64,114
Rent	-	37,977	-	37,977
Repairs and maintenance	14,865	9,633	310	24,808
Special events	1,071	-	3,344	4,415
Supplies	22,857	24,204	2,407	49,468
Taxes and licenses	-	10,628	-	10,628
Telephone	5,318	18,445	986	24,749
Travel	3,949	793	3,564	8,306
Tuition and training	266	1,632	1,157	3,055
Utilities	<u>9,826</u>	<u>79,046</u>	<u>-</u>	<u>88,872</u>
Total functional expenses before depreciation	1,081,275	426,376	165,803	1,673,454
Depreciation of property and equipment	<u>90,582</u>	<u>82,787</u>	<u>-</u>	<u>173,369</u>
Total functional expenses	<u>\$ 1,171,857</u>	<u>\$ 509,163</u>	<u>\$ 165,803</u>	<u>\$ 1,846,823</u>

The accompanying notes are an integral part of these financial statements.

**ROCKETOWN OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and wages	\$ 438,506	\$ 56,090	\$ 101,531	\$ 596,127
Payroll taxes	40,348	7,812	4,986	53,146
Employee benefits	33,792	2,937	7,312	44,041
Total payroll and related expenses	512,646	66,839	113,829	693,314
Direct costs of operating revenues:				
Skatepark merchandise	106,282	-	-	106,282
Café merchandise	46,840	-	-	46,840
Entertainment	466	-	-	466
Automobile	2,360	7,720	24	10,104
Bank fees	-	7,271	90	7,361
Bad debt recoveries	-	-	(3,000)	(3,000)
Cash short	-	19	-	19
Computer software/hardware	281	24	2,368	2,673
Design, photography and printing	-	-	-	-
Dues and subscriptions	996	332	1,287	2,615
Food and entertainment	10,282	2,333	2,400	15,015
Gifts	2,172	1,561	1,687	5,420
Giveaways/incentives	11,347	-	-	11,347
Insurance	7,014	46,861	-	53,875
Interest	-	18,394	-	18,394
Janitorial	-	573	-	573
Legal and professional	6,548	24,964	4,881	36,393
Marketing and advertising	4,886	170	5,889	10,945
Miscellaneous	1,344	1,025	-	2,369
Moving expenses	-	28,999	-	28,999
Office supplies	268	3,591	960	4,819
Postage and freight	93	1,215	1,953	3,261
Purchased services - other	44,295	24,055	28,509	96,859
Purchased services - personnel	40,268	10,948	1,089	52,305
Rent	501	41,484	-	41,985
Repairs and maintenance	22,347	6,188	-	28,535
Special events	159	-	60,011	60,170
Supplies	33,994	12,654	1,019	47,667
Taxes and licenses	13,574	(401)	-	13,173
Telephone	6,122	11,807	811	18,740
Travel	12,132	535	749	13,416
Tuition and training	-	1,058	645	1,703
Utilities	65,461	8,952	-	74,413
Total functional expenses before depreciation	952,678	329,171	225,201	1,507,050
Depreciation of property and equipment	56,825	51,935	-	108,760
Total functional expenses	<u>\$1,009,503</u>	<u>\$ 381,106</u>	<u>\$ 225,201</u>	<u>\$1,615,810</u>

The accompanying notes are an integral part of these financial statements.

**ROCKETOWN OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
Cash flows from operating activities:		
Changes in net assets	\$ 779,756	\$ 2,787,080
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	173,369	108,760
Gain on sale of property and equipment	(643,272)	(3,027,068)
(Increase) decrease in:		
Accounts receivable	25,649	(24,283)
Contributions receivable, net	(47,616)	40,416
Inventories	(5,776)	8,330
Prepaid expenses	(350)	-
Deferred revenue	6,200	-
Deposits	4,750	(5,412)
Increase (decrease) in:		
Accounts payable	(22,979)	29,595
Accrued expenses	(2,694,270)	(17,195)
Total adjustments	(3,204,295)	(2,886,857)
Net cash used by operating activities	(2,424,539)	(99,777)
Cash flows from investing activities:		
Proceeds from disposal of property and equipment	643,272	5,600,000
Purchase of property and equipment	(588,758)	(1,831,612)
Purchase of construction in progress	-	(1,082,681)
Purchase of improvements to capital assets	(17,848)	-
Net cash provided by investing activities	36,666	2,685,707
Net (decrease) increase in cash	(2,387,873)	2,585,930
Cash, beginning of year	2,765,540	179,610
Cash, end of year	\$ 377,667	\$ 2,765,540
<u>Supplemental disclosure of non-cash investing activities:</u>		
Construction in progress recorded through estimated construction costs payable	\$ -	\$ 2,690,718
<u>Other cash flow disclosures:</u>		
Cash paid during the year for interest	\$ 671	\$ 18,394

The accompanying notes are an integral part of these financial statements.

**ROCKETOWN OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Rocketown of Middle Tennessee (the "Organization") was founded in 1994 as a Tennessee not-for-profit corporation. The Organization's mission is to create culturally relevant environments that foster vital relationships between disenfranchised adolescents and Christian mentors in order to meet the social, spiritual and physical needs of teens.

On February 19th, 2010, the Organization's location at 401 Sixth Avenue South, Nashville, TN was purchased by the Metropolitan Development and Housing Agency (MDHA) through eminent domain as part of the development of the new Music City Convention Center.

On March 1, 2010, Rocketown purchased the property on 601 Fourth Avenue South and began renovations to meet the Organization's programmatic needs. Management estimated that the project was 75% complete at June 30, 2010 and recorded \$2,690,718 of additional construction in progress and unpaid estimated construction costs payable. This project was completed on August 1, 2010.

The gain on the sale of the property and equipment was as follows:

	2011	2010
Proceeds from sale to MDHA	\$ -	\$ 5,600,000
Additional payout from MDHA for vacating expenses	<u>643,272</u>	<u>575,000</u>
Total proceeds	643,272	6,175,000
Less remaining value of assets sold	<u>-</u>	<u>(3,147,932)</u>
Gain on sale of property and equipment	<u><u>\$ 643,272</u></u>	<u><u>\$ 3,027,068</u></u>

The Organization's facilities include the fourth avenue skate park, a 9,000 square foot indoor skateboarding park; the main venue, a state-of-the-art music venue and performance space; the coffee bar, a full service coffee shop; a dance studio that can be used as a multi-purpose room; a recording studio; and four classroom spaces for after-school programming. In addition, the Organization trains volunteer mentors and offers a wide variety of enrichment programs ranging from graffiti art instruction to songwriting classes. During 2011, the Organization had over 60,000 visits representing every social demographic of the greater Nashville area and surrounding counties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**ROCKETOWN OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash

Cash consists principally of checking and savings account balances with financial institutions.

Property, Equipment and Depreciation

Land, building, equipment and furniture purchases in excess of \$1,000 are capitalized and stated at acquisition cost or at estimated fair value at the time of the gift, if donated. Depreciation of property and equipment, other than land, is calculated by the straight-line method over estimated useful lives ranging from three to ten years for equipment and furniture and five to forty years for building and improvements.

Inventories

Inventories consist principally of coffee bar supplies and skate park store products and are reported at lower of cost (first-in, first-out method) or market.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statements of activities as net assets released in satisfaction of program restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows (unless immaterial). Conditional promises to give are not included as support until such time as the conditions are substantially met.

**ROCKETOWN OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization maintains an allowance for doubtful accounts for contributions receivable based upon management's evaluation of historical collection experience and other relevant factors.

Promises to give in the future are recognized as temporarily restricted net assets and revenues in the period promised if the promise is unconditional or the possibility that a condition will not be met is remote.

Income Taxes

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Advertising

All advertising costs are expensed when incurred. There were no direct response advertising costs incurred in 2011 and 2010.

Program and Supporting Services

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

Program Services – includes the direct cost of operating the Organization's indoor skate park, music venue, and coffee bar. Additionally, program services include numerous enrichment programs offered to teenagers visiting the facility, including skateboarding lessons, songwriting, video editing, graffiti art, and dance.

Management and General – includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Applicable costs include those associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting, and related purposes.

Fundraising – includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

**ROCKETOWN OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services

Donated facilities and materials are recorded as contributions in the period received at their estimated fair value, if there is an objective and measurable basis for determining such value. Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, was performed by a donor who possess such skills, and would have been purchased by the Organization, if not donated. Such services are recognized at fair value as support and expense in the period the services were performed.

A number of unpaid volunteers have made significant contributions of their time to assist the Organization in implementing various programs and exhibits. The value of contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable are unconditional promises to give and are summarized as follows:

	2011	2010
Receivable in less than one year	\$ 108,108	\$ 72,991
Receivable in one to five years	12,500	-
	<u>120,608</u>	<u>72,991</u>
Allowance for doubtful accounts	<u>(1,950)</u>	<u>(1,950)</u>
	<u><u>\$ 118,658</u></u>	<u><u>\$ 71,041</u></u>

Contributions receivable include outstanding contributions from board members of \$54,750 at June 30, 2011. These amounts are receivable in less than one year.

NOTE 4 - INTEREST IN NET ASSETS

Amounts reported in the statements of financial position as interest in net assets represent the cumulative transfers by the Organization to the Firm Foundation of Middle Tennessee (the "Foundation") which is a component fund of the National Christian Charitable Foundation, Inc., as well as earnings thereon. These amounts totaled \$5,011 at June 30, 2011 and 2010. The Foundation holds and invests the funds on behalf of the Organization. The Foundation has variance power over the funds if the Organization fails to comply with the requirements for distribution. The funds are distributable upon request by the Organization and approval of the Foundation. Distributions will be approved if the Organization continues to operate as a 501(c)(3) and a religious Organization. Management does not expect the Organization to fail to comply with the requirements for distribution. Several members of the Organization's board of directors are also members of or related to members of the board of directors for the Foundation.

**ROCKETOWN OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2011	2010
Land	\$ 2,367,032	\$ 2,367,032
Building and improvements	4,240,135	1,668
Machinery and equipment	581,518	461,531
Furniture and fixtures	30,790	9,240
	<u>7,219,475</u>	<u>2,839,471</u>
Less accumulated depreciation	<u>(506,697)</u>	<u>(333,328)</u>
	<u><u>\$ 6,712,778</u></u>	<u><u>\$ 2,506,143</u></u>

NOTE 6 - RESTRICTIONS ON NET ASSETS

The temporary restrictions on net assets are as follows:

	2011	2010
Grants and contributions receivable – time restriction	\$ 118,658	\$ 71,041
Donations restricted for capital improvements	<u>175,018</u>	<u>-</u>
	<u><u>\$ 293,676</u></u>	<u><u>\$ 71,041</u></u>

There were no permanently restricted net assets as of June 30, 2011 or 2010.

NOTE 7 - EMPLOYEE BENEFIT PLAN

The Organization sponsors a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code in which substantially all employees of the Organization qualify after they have completed one year of service. The plan allows participants to contribute a percentage of their gross pay up to the amount allowable by the Internal Revenue Code. The Organization recognized \$10,844 and \$10,814 as expense under this plan during the years ended June 30, 2011 and 2010, respectively. These amounts were included in the statements of functional expense as employee benefits.

NOTE 8 - CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash on deposit with several financial institutions. The Organization maintains balances which, at times, may exceed federally insured limits. In management's opinion, the financial institutions have strong credit ratings and exposure to such concentrations is not considered significant.

The Organization was awarded three grants which made up approximately 70% and 50% of total foundation contributions and grants revenue for the years ended 2011 and 2010 respectively. Contributions from two donors represented approximately 45% of total special events revenue in 2011. One organization made contributions which comprised approximately

**ROCKETOWN OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 8 - CONCENTRATIONS (CONTINUED)

50% of the Organization's total contributions for the year ended 2011. Two organizations and one individual made contributions which comprised approximately 65% of the Organization's total contributions for the year ended 2010.

NOTE 9 - QUESTIONED COSTS

Questioned costs are those amounts charged to a funded program that may not be in compliance with requirements set forth in contracts, statutes, and regulations governing allowability or eligibility. A questioned cost may not be reimbursed by the grantor agency or the grantor agency may require that the funds already expended be refunded to the agency. These amounts can be "questioned" by the agency for the specific grant to which they apply. The determination as to whether such costs will be allowed or disallowed under the grants will be made by the individual grantor agency at a later date. No liability was required at June 30, 2011 and 2010 for the repayment of questioned costs as no grantor agency has made a determination of the appropriateness of any questioned costs. Management deems the possibility of a refund request to be remote, as they believe that the Organization has accommodated their objective to the provisions of their grants.

NOTE 10 - SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through October 17, 2011, the date which the financial statements were available to be issued.

BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Communication with Those Charged with Governance at or Near the Conclusion of the Audit

October 17, 2011

To the Board of Directors
Rockettown of Middle Tennessee

We have audited the financial statements of Rockettown of Middle Tennessee for the year ended June 30, 2011, and have issued our report thereon dated October 17, 2011. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated November 29, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Rockettown of Middle Tennessee are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 17, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board of Directors
Rockettown of Middle Tennessee
October 17, 2011
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Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Rockettown of Middle Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Blankenship CPA Group, PLLC

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