PARK CENTER

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

PARK CENTER

TABLE OF CONTENTS

PARK CENTER

ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF

AS OF JUNE 30, 2019

BOARD OF DIRECTORS

Bill Carver	Chairman of the Board
Webb Campbell	First Vice Chairman
Amy Thompson	Second Vice Chairman
Emily Griffin	Secretary
Joe Whitehouse	Treasurer
Doug Berry	Immediate Past Chairman
Anne Andress	Board Member
Dawn Bishop	Board Member
Martha Boyd	Board Member
Helen Gaye Brewster	Board Member
Gary Cordell	Board Member
Barbara Daane	Board Member
Judy Daniels	Board Member
Bill Forrester	Board Member
Joanna Hall	Board Member
Dan Kearns	Board Member
Mark Kelly	Board Member
Bob Mendes	Board Member
Jameson Norton	Board Member
Margaret Rolfsen	Board Member
Hans Schmidt	Board Member
Kirsten Schriner	Board Member
Phil Suiter	Board Member
Nicole Tidwell	Board Member
Diane Titus	Board Member
Eric Werner	Board Member
Bill Young	Board Member

EXECUTIVE STAFF

Barbara Quinn	President and CEO
Dani Lieberman	Director of Quality and Operations
Tanya Mayes	Director of Finance
Amy Shurden	Director of Marketing and Development

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
Park Center
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Park Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses, 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 and the State Audit Manual. 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 Park Center as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Financial Statement Presentation

As discussed in Note 1, Park Center adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statement of financial position of Park Center and Affiliate as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended (none of which is presented herein), and we expressed an unmodified opinion on those consolidated financial statements. Such consolidated financial statements are the general-purpose financial statements of Park Center and Affiliate, and the financial statements of Park Center presented herein are not a valid substitute for those consolidated financial statements.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are 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.

The Roster of Board of Directors and Executive Staff on page 1, which is the responsibility of management, is of a nonaccounting nature and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express and opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2020, on our consideration of Park 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 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 Park Center's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Nashville, Tennessee
January 21, 2020

PARK CENTER

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 2,908,192
Accounts receivable	182,902
Grants receivable	730,798
Prepaid expenses	77,805
Total Current Assets	3,899,697
Investments	770,552
Property and equipment, net	10,983,447
Total Assets	$ 15,653,696
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable and accrued expenses	$ 512,849
Current portion of long-term debt	90,965
Deferred revenue	14,510
Total Current Liabilities	618,324
Long-term debt, net of current portion	7,091,537
Total Liabilities	7,709,861
Net Assets:	
Without Donor Restriction:	
Undesignated	6,093,319
Board designated	1,158,131
Total Net Assets Without Donor Restriction	7,251,450
With donor restriction	692,385
Total Net Assets	7,943,835
Total Liabilities and Net Assets	$ 15,653,696

PARK CENTER

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Public Support and Revenues:			
Public Support:			
Grants and contracts	$ 4,775,177	$ -	$ 4,775,177
Contributions	343,487	59,750	403,237
In-kind donations	13,638	-	13,638
Total Public Support	5,132,302	59,750	5,192,052
Revenues:			
Rental income	839,412	-	839,412
Food service fees	19,443	-	19,443
Investment and interest income, net	29,425	-	29,425
Other	20,700	-	20,700
Total Revenues	908,980	-	908,980
Net assets released from restrictions	86,351	(86,351)	-
Total Public Support and Revenues	6,127,633	(26,601)	6,101,032
Expenses:			
Program services	4,816,421	-	4,816,421
Supporting Services:			
Management and general	929,539	-	929,539
Fundraising	200,834	-	200,834
Total Supporting Services	1,130,373	-	1,130,373
Total Expenses	5,946,794	-	5,946,794
Change in net assets	180,839	(26,601)	154,238
Net assets, beginning of year	7,070,611	718,986	7,789,597
Net assets, end of year	$ 7,251,450	$ 692,385	$ 7,943,835

PARK CENTER

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total Expenses
Personnel services	$ 2,505,688	$ 496,821	$ 122,422	$ 3,124,931
Fringe benefits	279,177	54,397	18,362	351,936
Payroll taxes	183,827	36,433	9,069	229,329
Total Personnel Costs	2,968,692	587,651	149,853	3,706,196
Rental and maintenance	394,636	51,872	9,766	456,274
Interest	232,920	-	-	232,920
Utilities	209,642	-	-	209,642
Professional fees	91,169	108,899	4,136	204,204
Member expenses (including in-kind of $13,638)	105,794	1,670	-	107,464
Insurance	39,443	66,147	-	105,590
Food and beverage	87,075	2,214	11,058	100,347
Travel	61,707	20,192	1,938	83,837
Rent	69,400	-	8,210	77,610
Telephone	52,490	6,926	1,316	60,732
Certifications and accreditations	49,775	1,206	-	50,981
Taxes and licenses	7,673	41,590	540	49,803
Program services	42,333	3,203	-	45,536
Office supplies	31,702	3,643	2,079	37,424
Miscellaneous	4,072	29,751	2,290	36,113
Program supplies	22,204	-	2,450	24,654
Janitorial supplies	22,032	-	-	22,032
Vehicle expense	14,498	-	-	14,498
Small equipment purchases	12,594	-	-	12,594
Printing and publications	4,426	2,066	5,134	11,626
Medical supplies	6,252	-	-	6,252
Contract services	2,762	1,470	-	4,232
Postage and shipping	430	1,039	2,064	3,533
Total Expense Before Depreciation	4,533,721	929,539	200,834	5,664,094
Depreciation	282,700	-	-	282,700
Total Expenses	$ 4,816,421	$ 929,539	$ 200,834	$ 5,946,794

PARK CENTER

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:	
Change in net assets	$ 154,238
Adjustments to reconcile change in net assets	
to net cash provided by operating activities:	
Depreciation	282,700
Net realized and unrealized gain on investments	(13,580)
Changes in operating assets and liabilities:	
Accounts receivable	169,907
Grants receivable	(276,614)
Prepaid expenses	34,079
Accounts payable and accrued expenses	161,746
Deferred revenue	14,510
Net cash provided by operating activities	526,986
Cash flows from investing activities:	
Proceeds from sale of investments	209,194
Purchases of investments	(222,681)
Purchases of property and equipment	(289,280)
Net cash used in investing activities	(302,767)
Cash flows from financing activities:	
Payments on long-term debt	(43,176)
Net cash used in financing activities	(43,176)
Net increase in cash and cash equivalents	181,043
Cash and cash equivalents, beginning of year	2,727,149
Cash and cash equivalents, end of year	$ 2,908,192
Supplemental disclosure:	
Interest paid	$ 232,920

Note 1—Nature of organization and significant accounting policies

General – Park Center (the "Organization") is a nonprofit organization that provides psychosocial and vocational rehabilitation services and housing to emotionally and mentally ill individuals in Davidson County, Tennessee. The Organization offers food service, clerical, environmental, and vocational rehabilitation and operates a continuous mental health facility. Additionally, the Organization offers housing and housing support programs at several locations. The Organization's major sources of revenue are government grants and contracts with behavioral health organizations.

The Organization sponsored the establishment of Haley's Park, Inc. ("Haley's Park"), a separate nonprofit corporation, that was established in order to construct a facility to provide chronically mentally ill persons with housing and other services under guidelines of the U.S. Department of Housing and Urban Development ("HUD"), Section 811. The facility was completed in 2008 and includes 14 one-bedroom units and one two-bedroom unit for a resident counselor, as well as office space. Haley's Park is operated under Section 202 of the National Housing Act and regulated by HUD with respect to rental charges and operating methods. The Organization provides management services for Haley's Park and the Organization's Board of Directors maintains the ability to approve the directors of Haley's Park.

Basis of Presentation – These financial statements represent only the financial activities of the Organization and do not include any financial information of Haley's Park. These parent entity only financial statements are presented in addition to the consolidated audited financial statements of Park Center and Affiliate. Such consolidated financial statements are the general-purpose financial statements of Park Center and Affiliate, and the financial statements of the Organization presented herein are not a valid substitute for those consolidated financial statements.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Financial statement presentation is in accordance with standards of accounting and financial reporting prescribed for nonprofit organizations within the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Accordingly, net assets of the Organization 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. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors. Presently, net assets designated by the board are for future needs and the benefits of certain programs.
>
> *Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors. 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. Net assets with donor restrictions represent amounts available for specified projects.

Cash and Cash Equivalents – The Organization considers all highly liquid investments available for current use with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable – Client service revenue is reported at the estimated net realizable value from third-party payers in the period services are rendered. Management provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the collectability of accounts receivable. Based on collection experience and management's review, no allowance for doubtful accounts is considered necessary at June 30, 2019.

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

Investments – The Organization accounts for investments in accordance with U.S. GAAP. Under this guidance, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the accompanying statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities as unrestricted revenues or expenses, unless specified by the donor.

Fair Values – The Organization has an established process for determining fair values in accordance with FASB ASC guidance. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third-party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. U.S. GAAP has a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

> *Level 1* – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
>
> *Level 2* – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
>
> *Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Contributions – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Donated Services – Amounts are reported in the financial statements for voluntary donations of services only when those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills, which would typically be purchased if not provided by donation. Volunteers donate significant amounts of their time in the Organization's program services and its fundraising efforts that have not been reported in the accompanying financial statements because the services do not create or enhance nonfinancial assets and no objective basis is available to measure the value of such volunteer time.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Salaries and related expenses are allocated to the various program and supporting services based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

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

Estimates – The preparation of financial statements in conformity with U.S. GAAP 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and 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.

The Organization follows FASB ASC guidance concerning the accounting for income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit (liability) to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has not recognized any tax related interest and penalties in the accompanying financial statements.

Unemployment Claims – Rather than providing for future unemployment claims by paying the state unemployment insurance tax, the Organization has elected to be a reimbursing employer. Reimbursing employers pay actual approved claims as they occur, plus an administrative fee. The Organization is not currently aware of any pending claims.

Change in Accounting Principle – In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been adopted during 2019.

Forthcoming Accounting Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the year ending June 30, 2020. The Organization is currently evaluating the effect of the implementation of this new standard.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities.* This guidance revises accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for the year ending June 30, 2020. The Organization is evaluating the impact this guidance may have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This guidance introduces a lessee model that reports substantially all leases on the statement of financial position. This guidance is effective for the year ending June 30, 2021. The Organization is evaluating the impact this guidance may have on its financial statements.

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

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The guidance in this ASU clarifies the accounting guidance for contributions received and contributions made. The amendments in this ASU will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This guidance is effective for the year ending June 30, 2020. The Organization is evaluating the impact of this standard on its financial statements.

Subsequent Events – The Organization evaluated subsequent events through January 21, 2020 when these financial statements were available to be issued.

Note 2—Liquidity and availability of resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor restriction or other restrictions limiting their use within one year of the statement of financial position comprise the following at June 30, 2019:

Financial assets at year-end:	
Cash and cash equivalents	$ 2,908,192
Accounts receivable	182,902
Grants receivable	730,798
Investments	770,552
Total financial assets	4,592,444
Less amounts not available to be used for general expenditures within one year	
Assets subject to designations	1,158,131
Assets subject to restrictions	104,878
Total amounts not available to be used for general expenditures within one year	1,263,009
Financial assets available to meet cash needs for general expenditures within one year	$ 3,329,435

Although the Organization has designated net assets for certain purposes (as described in Note 9), these amounts could be made available if necessary. As described in Note 6, the Organization also has a line of credit that is available for general operating needs.

Note 3—Investments

Investments are stated at fair value with fair value determined based on active markets (Level 1) and consist of the following at June 30, 2019:

Short-term investments	$	188,355
Mutual funds:		
Intermediate-term bond funds		151,915
Large growth funds		62,613
Large value funds		62,472
Short-term bond funds		59,854
Multi-sector bond funds		59,727
Foreign large blend funds		50,036
Mid-cap blend funds		44,221
Small blend funds		31,413
Real estate funds		30,113
Alternative strategies funds		29,833
	$	770,552

The following schedule summarizes investment income in the statement of activities for the year ended June 30, 2019:

Interest and dividend income (including interest on cash and cash equivalents)	$	15,845
Net unrealized and realized gain on investments		13,580
	$	29,425

Note 4—Property and equipment

Property and equipment is recorded at cost at the date of purchase or fair value at date of gift. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets (ranging from three to forty years) on a straight-line basis. The Organization generally capitalizes an asset if its life is estimated to be one year or greater and the cost is $1,000 or greater.

Note 4—Property and equipment (continued)

The balances of the major classes of property and equipment are as follows at June 30, 2019:

Land and land improvements	$ 3,681,827
Buildings and building improvements	10,388,349
Equipment and furniture	145,286
Vehicles	139,673
	14,355,135
Less accumulated depreciation	(3,371,688)
	$ 10,983,447

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

In January 1989, the Organization entered into an agreement with the Metropolitan Development and Housing Agency, the Tennessee Department of Mental Health and Substance Abuse Services, the Tennessee Department of Human Services, and the U.S. Department of Housing and Urban Development, whereby funds were made available to the Organization by those governmental agencies to purchase and renovate four houses to be used by the Organization to provide housing for the homeless, mentally ill. Under the agreement, the Organization is committed to operate the housing program for 20 to 30 years or be liable for repaying the prorated amounts of the original funds to the governmental agencies, which provided them. Management currently plans to operate the program for the specified terms of the agreement.

In April 2010, the Organization entered into an agreement with the Metropolitan Development and Housing Agency to purchase two properties for the Organization to use to house mentally ill individuals. Under the agreement, the Organization is committed to operate the housing program for 20 years. A similar arrangement was entered into during 2011 under which the Organization is committed to operate the housing program for ten years. Management currently plans to operate the programs for the specified terms of the agreements.

The net book value of the buildings, building improvements, and land acquired under these agreements in the amount of $587,507 at June 30, 2019 is included as net assets with donor restrictions.

The Haley's Park buildings and improvements are located on five acres of land leased by the Organization from the state of Tennessee through the year 2078 for a minimal fee. The Organization does not charge rent to Haley's Park.

Note 5—Accrued expenses

Employees of the Organization are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation, but not for accumulated sick leave. Accordingly, vacation pay is accrued and recognized as an expense in the period earned by employees. Accrued vacation pay included in accrued expenses was $131,910 at June 30, 2019.

Note 6—Short-term financing arrangements

During fiscal year 2019, the Organization obtained a revolving line of credit in the amount of $500,000 from a financial institution. Amounts drawn on the line of credit are due at maturity (May 17, 2020). The note bears interest at the financial institution's Base Rate (4.75% at June 30, 2019), payable monthly. The note is secured by all deposits and investments of the Organization. There were no borrowings outstanding under this arrangement at June 30, 2019.

Note 7—Long-term debt

Long-term debt is as follows at June 30, 2019:

Mortgage note payable to a financial institution in monthly principal and interest installments commencing March 1, 2021, with interest only payable through February 1, 2021, secured by land and building, with interest at 3.50%, maturing January 31, 2026. This note was paid in full subsequent to year-end. (See Note 12.)	$ 3,499,541
Mortgage note payable to a financial institution with interest only payable through January 1, 2021, secured by land and building, with interest at 3.50%, maturing January 31, 2021. This note was paid in full subsequent to year-end. (See Note 12.)	3,499,540
Mortgage note payable to a financial institution in monthly principal installments of $1,137, secured by building and land on Woodland Street, interest at 1%, maturing March 2020.	80,006
Mortgage note payable to an organization in monthly principal and interest installments of $1,238 secured by land, interest at 4.0%, maturing September 2022.	103,415
	7,182,502
Less amount shown as current portion	(90,965)
Long-term debt, noncurrent portion	$ 7,091,537

Annual principal maturities of the above obligations are as follows:

Years Ending June 30,	
2020	$ 90,965
2021	3,551,485
2022	136,356
2023	198,094
2024	133,499
Thereafter	3,072,103
	$ 7,182,502

Note 8—Net assets

Net assets with donor restrictions are available for the following purposes or periods at June 30, 2019:

Property for housing program	$ 587,507
Contributions restricted for programs	93,428
Contributions restricted for center renovation	11,450
	$ 692,385

Designated net assets of the Organization are available for the following purposes at June 30, 2019:

Future needs	$ 770,552
Housing	232,366
Clubhouse	155,213
	$ 1,158,131

Note 9—Board designated endowment fund

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions. The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The Board of Directors has interpreted the UPMIFA as requiring that the Organization classify as permanently restricted net assets: a) the original value of donor-restricted gifts to the endowment, b) the original value of subsequent donor-restricted gifts to the endowment, and c) accumulations (interest, dividends, capital gain/loss) to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in donor-restricted net assets is classified as donor-restricted net assets until those amounts are approved for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization had no donor-restricted gifts to the endowment at June 30, 2019. The board, however, has designated certain assets to serve as an endowment. Such amounts were released from board designation during the year ended June 30, 2019.

Changes in endowment net assets for the fiscal year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 589,625	$ -	$ 589,625
Other changes:			
Release of board designation	(589,625)	-	(589,625)
Endowment net assets, end of year	$ -	$ -	$ -

Note 10—Pension plan

The Organization has a non-contributory pension and retirement plan covering substantially all of its employees. The plan is a tax-deferred annuity plan with its participants owning all amounts held in their individual accounts. Pension expense for the year ended June 30, 2019 was $92,962.

Note 11—Concentrations of credit risk

The Organization receives a substantial amount of its support from government grants and contracts. In the event of a significant reduction in the level of this support, the Organization's programs and activities could be adversely affected.

The Organization maintains its cash and cash equivalents in financial institutions at balances, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. In management's opinion, risk relating to these deposits is minimal based on the credit ratings of its depositories.

Note 12—Subsequent events

Effective June 21, 2018, the Organization entered into an agreement to sell the property located at 801 12th Avenue South, Nashville, Tennessee. Effective January 15, 2020, the property was sold for $13,500,000, net of related expenses. The Organization used the proceeds to repay the debt incurred to purchase the land and building located at 186 North 1st Street (approximately $7,009,000), as well as to satisfy the deed stipulations on the 12th Avenue property. To satisfy the deed stipulations on the 12th Avenue property, the Organization entered into a contract to remit to the previous owner $2,700,000, payable in cash at the closing of the sale. Net proceeds from the sale after repayment of the debt, satisfaction of deed restrictions and payment of closing costs, was approximately $3,300,000.

SUPPLEMENTARY INFORMATION

PARK CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE AND NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2019

	CFDA Number	Pass Through Grantor's Number	Expenditures
Federal Awards:			
U.S. Department of Housing and Urban Development (HUD)			
Passed through Metropolitan Development and Housing Agency of Nashville and Davidson County, Tennessee			
Emergency Solutions Grant Program	14.231	N/A	$ 45,629
Total HUD			45,629
U.S. Department of Health & Human Services (HHS)			
Substance Abuse and Mental Health Services Administration			
Treatment for Persons Experiencing Homelessness	93.243	1H79SM08066-01	203,847
U.S. Department of Health & Human Services (HHS)			
Passed through State of Tennessee, Department of Mental Health and Substance Abuse Services and Metropolitan Government Davidson County			
Cooperative Agreements to Benefit Homeless	93.243	52489	94,815
Total Program 93.243			298,662
U.S. Department of Health & Human Services (HHS)			
Passed through State of Tennessee, Department of Mental Health and Substance Abuse Services			
Continuum of Care STR	93.788	57909	9,405
Total Program 93.788			9,405
U.S. Department of Health & Human Services (HHS)			
Passed through State of Tennessee, Department of Mental Health and Substance Abuse Services			
Block Grants for Community Mental Health Services			
Supported Employment IPS Trainer	93.958	58858	232,928
Supported Employment Initiative	93.958	58894	138,125
Community Targeted Transitional Support	93.958	59039	45,000
Recovery Within Reach Web Site Renovation	93.958	59034	50,000
Total Program 93.958 +			466,053
U.S. Department of Health & Human Services (HHS)			
Passed through State of Tennessee, Department of Mental Health and Substance Abuse Services			
Adult Continuum of Care	93.959	DGA 58044_2018-2019_025	148,352
Total Program 93.959			148,352
U.S. Department of Health & Human Services (HHS)			
Passed through United Way of Metropolitan Nashville			
Emergency Food and Shelter Program National Board	97.024	765200-037	5,975
Total Program 97.024			5,975
Total HHS			928,447
Total Federal Awards			974,076

	CFDA Number	Pass Through Grantor's Number	Expenditures
State Financial Assistance:			
State of Tennessee, Department of Mental Health and Substance Abuse Services			
Supported Employment IPS Trainer	N/A	58858	$ 10,000
Consumer Housing Specialist	N/A	59034	66,102
Community Supportive Housing	N/A	58776	576,855
Regional Housing Facilitator	N/A	58860	84,641
Emerging Adult Services	N/A	58917	598,000
Supportive Housing	N/A	58056	1,166
Creating Affordable Housing	N/A	62914	115,000
Total State of Tennessee, Department of Mental Health and Substance Abuse Services			1,451,764
Total State Financial Assistance			1,451,764
Total Federal Awards and State Financial Assistance			$ 2,425,840

\+ Indicates a major program

Note 1—Basis of accounting

The accompanying schedule of expenditures of federal awards and state financial assistance (the “Schedule”) includes the award activity of Park Center (the “Organization”) under programs of federal and state governments for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance.

Note 2—Summary of significant accounting policies

Expenditures are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are listed as to reimbursement.

The Organization expended indirect costs using a multiple allocation base method and did not elect to use the 10% de minimis cost rate allowed under the Uniform Guidance.

The Organization did not have expenditures to subrecipients during the fiscal year.

Note 3—Contingencies

This program is subject to financial and compliance audits by the grantor agency. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor 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
Park Center
Nashville, Tennessee

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 Park Center (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2019, 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 January 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 Organization's financial statements are free from material misstatement, we performed tests of their 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 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 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.

Cherry Bekaert LLP

Nashville, Tennessee
January 21, 2020

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Park Center
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Park Center's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2019. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
January 21, 2020

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Park Center (the "Organization") were prepared in accordance with accounting principles generally accepted in the United States of America.

2. No significant deficiencies relating to the audit of the financial statements are reported in the *Report of Independent Auditor 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.*

3. No instances of noncompliance material to the financial statements of the Organization, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the *Report of Independent Auditor 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.*

5. The auditor's report on compliance for the major federal awards programs of the Organization expresses an unmodified opinion on all major federal programs.

6. No instances of audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) were disclosed during the audit.

7. The program tested as a major program is as follows:

CFDA Number	Name of Federal Program
93.958	Block Grants for Community Mental Health Services

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. The Organization did not qualify as a low-risk auditee.

Findings Relating to the Financial Statement Audit

None.

Findings and Questioned Costs for Major Federal Award Programs Audit

None.

PARK CENTER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2019

There were no prior findings reported.