

2016
Financial Statements
With
Auditor's Letters

THE ROCHELLE CENTER

FINANCIAL STATEMENTS

JUNE 30, 2016

WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2015

(With Independent Auditor's Report Thereon)

The Rochelle Center
Roster of Board of Directors
June 30, 2016

Roxanne Coats McDons	Chair
Andrea Farr	Vice Chair
James Bradshaw, III	Treasurer
Karent Blanchard	Secretary
Avi Poster	Past President
Caroline Chamberlain	Board Member
Joe Fisher	Board Member
Benjamin Goldberg	Board Member
Glenn Funk	Board Member
Beverly Hanselman	Board Member
Mary Ann Hea	Board Member
Russ Neal	Board Member
Kevin Taylor	Board Member
Tom Tribke	Board Member
Bill Torrence	Board Member
Eleanor Willis	Board Member
Jim Morrell	Board Member

THE ROCHELLE CENTER
FINANCIAL STATEMENTS
JUNE 30, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2015

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors 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, 2016, 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. 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, 2016, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the previously issued financial statements have been restated to correct classification of THDA grant funding. Our opinion is not modified with respect to that matter. The net assets as previously reported were understated.

Report on Summarized Comparative Information

We have previously audited The Rochelle Center's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 27, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016, 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 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 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 Harder & Bellentine

November 22, 2016

THE ROCHELLE CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash	\$ 638,679	\$ 414,892
Investments	5,819	4,521
Receivables, net of allowance for doubtful accounts	378,755	320,675
Prepaid expenses	33,710	17,270
Total current assets	<u>1,056,963</u>	<u>757,358</u>
Property and Equipment:		
Land	41,051	41,051
Buildings	2,773,283	2,733,678
Equipment	1,472,890	1,415,123
	<u>4,287,224</u>	<u>4,189,852</u>
Less: accumulated depreciation	<u>(2,887,365)</u>	<u>(2,839,702)</u>
Total property and equipment, net	<u>1,399,859</u>	<u>1,350,150</u>
Assets Whose Use is Limited:		
Cash - designated by the board of directors	322,000	322,000
Restricted cash	23,512	82,917
Restricted investments - Community Foundation	8,358	8,540
Total assets whose use is limited	<u>353,870</u>	<u>413,457</u>
Total assets	<u>\$ 2,810,692</u>	<u>\$ 2,520,965</u>

See accompanying notes to the financial statements.

THE ROCHELLE CENTER
STATEMENT OF FINANCIAL POSITION (continued)
JUNE 30, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2015

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
Current Liabilities:		
Current installments of long-term debt	\$ 75,220	\$ 14,462
Accounts payable	50,880	32,215
Accrued expenses	189,708	210,056
Total current liabilities	<u>315,808</u>	<u>256,733</u>
Long-term debt, net of current installments	<u>432,658</u>	<u>637,168</u>
Total liabilities	<u>748,466</u>	<u>893,901</u>
Net Assets:		
Unrestricted:		
Undesignated	1,708,356	1,213,607
Board-designated	322,000	322,000
Total unrestricted net assets	<u>2,030,356</u>	<u>1,535,607</u>
Temporarily restricted	23,512	82,917
Permanently restricted	8,358	8,540
Total restricted net assets	<u>31,870</u>	<u>91,457</u>
Total net assets	<u>2,062,226</u>	<u>1,627,064</u>
Total liabilities and net assets	<u>\$ 2,810,692</u>	<u>\$ 2,520,965</u>

See accompanying notes to the financial statements.

THE ROCHELLE CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
Support and Revenues:					
Contributions	\$ 109,916	\$ 14,195	\$ -	\$ 124,111	\$ 277,721
United Way	1,923	-	-	1,923	4,272
Government grants and contracts	3,116,919	-	-	3,116,919	2,807,452
Program fees	54,714	-	-	54,714	108,886
Residential income	202,515	-	-	202,515	175,745
Workshop sales	189,921	-	-	189,921	178,139
Freight revenue	9,295	-	-	9,295	9,565
Special events	284,783	-	-	284,783	251,769
Interest and investment income, net	266,054	-	-	266,054	191
Miscellaneous	840	-	-	840	1,042
Net assets released from restrictions	73,782	(73,600)	(182)	-	-
Total support and revenues	4,310,662	(59,405)	(182)	4,251,075	3,814,782
Expenses:					
Program services:					
Developmental services	542,653	-	-	542,653	558,027
Residential services	1,966,687	-	-	1,966,687	1,610,413
Production center	653,361	-	-	653,361	745,246
Supported employment	96,637	-	-	96,637	72,138
Total program services	3,259,338	-	-	3,259,338	2,985,824
Supporting services:					
Management and general	298,412	-	-	298,412	349,793
Fundraising	258,163	-	-	258,163	244,312
Total supporting services	556,575	-	-	556,575	594,105
Total expenses	3,815,913	-	-	3,815,913	3,579,929
Increase (decrease) in net assets	494,749	(59,405)	(182)	435,162	234,853
Net assets - beginning of year, as previously reported	1,535,607	82,917	8,540	1,627,064	1,775,211
Prior period adjustment	-	-	-	-	(383,000)
Net assets - end of year, as restated	\$ 2,030,356	\$ 23,512	\$ 8,358	\$ 2,062,226	\$ 1,627,064

See accompanying notes to the financial statements.

THE ROCHELLE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Program Services					
	<u>Developmental Services</u>		<u>Residential Services</u>		<u>Production Center</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Salaries	\$ 336,023	\$ 354,206	\$ 1,228,937	\$ 996,585	\$ 232,667	\$ 273,846
Payroll taxes and benefits	36,163	35,063	305,148	229,608	47,902	59,381
Total personnel costs	372,186	389,269	1,534,085	1,226,193	280,569	333,227
Bad debts	-	-	-	2,100	-	-
Bank fees	-	-	-	-	-	-
Communications	5,774	5,949	41,219	31,965	10,256	11,710
Contracted services	40,663	38,949	37,138	35,242	65,218	102,667
Dues and subscriptions	1,744	1,445	186	279	2,037	1,381
Insurance	33,310	31,306	21,206	15,683	15,070	15,539
Interest	-	12	11,466	17,259	-	-
Miscellaneous	3,261	3,398	10,368	9,898	5,074	8,099
Professional fees	11,111	2,705	17,051	10,501	3,802	5,235
Rent	2,332	2,658	2,629	2,640	4,212	4,884
Repairs and maintenance	12,385	18,773	64,195	61,610	15,571	14,040
Special events	-	-	-	19	-	-
Supplies	11,310	13,372	67,729	52,429	23,683	21,673
Travel and transportation	5,222	4,485	35,631	30,456	2,310	4,611
Utilities	21,000	20,926	55,900	57,880	27,845	29,721
Workshop wages and benefits	-	-	-	-	177,784	181,479
Depreciation	22,355	24,780	67,884	56,259	19,930	10,980
Total expenses	\$ 542,653	\$ 558,027	\$ 1,966,687	\$ 1,610,413	\$ 653,361	\$ 745,246

See accompanying notes to the financial statements.

THE ROCHELLE CENTER
STATEMENT OF FUNCTIONAL EXPENSES (continued)
FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	<u>Program Services</u>			<u>Total Program Services</u>		
	<u>Supported Employment</u>					
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Salaries	\$ 74,491	\$ 53,288	\$ 1,872,118	\$ 1,677,925		
Payroll taxes and benefits	13,457	12,774	402,670	336,826		
Total personnel costs	87,948	66,062	2,274,788	2,014,751		
Bad debts	-	-	-	2,100		
Bank fees	-	-	-	-		
Communications	-	-	57,249	49,624		
Contracted services	1,777	2,363	144,796	179,221		
Dues and subscriptions	577	245	4,544	3,350		
Insurance	746	1,172	70,332	63,700		
Interest	-	-	11,466	17,271		
Miscellaneous	461	480	19,164	21,875		
Professional fees	80	85	32,044	18,526		
Rent	-	-	9,173	10,182		
Repairs and maintenance	1,584	618	93,735	95,041		
Special events	-	-	-	19		
Supplies	259	463	102,981	87,937		
Travel and transportation	2,712	401	45,875	39,953		
Utilities	-	-	104,745	108,527		
Workshop wages and benefits	-	-	177,784	181,479		
Depreciation	493	249	110,662	92,268		
Total expenses	\$ 96,637	\$ 72,138	\$ 3,259,338	\$ 2,985,824		

See accompanying notes to the financial statements.

THE ROCHELLE CENTER
STATEMENT OF FUNCTIONAL EXPENSES (continued)
FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Supporting Services							
	Management and General		Fundraising		Total Expenses			
	2016	2015	2016	2015	2016	2015		
Salaries	\$ 220,156	\$ 248,600	\$ 51,573	\$ 52,625	\$ 2,143,847	\$ 1,979,150		
Payroll taxes and benefits	50,936	67,311	16,557	14,531	470,163	418,668		
Total personnel costs	271,092	315,911	68,130	67,156	2,614,010	2,397,818		
Bad debts	-	-	-	-	-	2,100		
Bank fees	-	-	-	-	-	-		
Communications	-	-	-	-	57,249	49,624		
Contracted services	210	643	-	-	145,006	179,864		
Dues and subscriptions	265	690	496	72	5,305	4,112		
Insurance	2,549	2,585	-	-	72,881	66,285		
Interest	-	117	-	-	11,466	17,388		
Miscellaneous	9,041	4,012	5,974	851	34,179	26,738		
Professional fees	12,774	13,911	275	90	45,093	32,527		
Rent	87	94	-	-	9,260	10,276		
Repairs and maintenance	-	7,696	-	-	93,735	102,737		
Special events	-	-	182,094	174,386	182,094	174,405		
Supplies	1,534	2,212	584	1,079	105,099	91,228		
Travel and transportation	791	1,922	-	-	46,666	41,875		
Utilities	-	-	610	678	105,355	109,205		
Workshop wages and benefits	69	-	-	-	177,853	181,479		
Depreciation	-	-	-	-	110,662	92,268		
Total expenses	\$ 298,412	\$ 349,793	\$ 258,163	\$ 244,312	\$ 3,815,913	\$ 3,579,929		

See accompanying notes to the financial statements.

THE ROCHELLE CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Increase in net assets	\$ 435,162	\$ 234,853
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	110,662	92,268
Realized gain on sale of property and equipment	(264,396)	-
Change in allowance for doubtful accounts	-	(4,372)
Realized gain on investments	(1,085)	(490)
Unrealized gains on investments	221	627
Reinvested interest income	(252)	(76)
Changes in:		
Receivables	(58,080)	(10,866)
Prepaid expenses	(16,440)	1,974
Assets whose use is limited	59,405	(42,251)
Accounts payable	18,665	(3,758)
Accrued expenses	(20,348)	(162,797)
Total adjustments	(171,648)	(129,741)
Net cash provided by operating activities	263,514	105,112
Cash Flows from Investing Activities:		
Purchase of property and equipment	(245,975)	(132,604)
Proceeds from sale of property and equipment	310,957	-
Net cash provided by (used in) investing activities	64,982	(132,604)
Cash Flows from Financing Activities:		
Payments on long-term debt	(104,709)	(81,602)
Net cash used in financing activities	(104,709)	(81,602)
Net increase (decrease) in cash	223,787	(109,094)
Cash - beginning of year	414,892	523,986
Cash - end of year	\$ 638,679	\$ 414,892

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the years ended June 30, 2016 and 2015, was \$11,466 and \$17,259 respectively.

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2015

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The terms "we" "our" and "us" are also used throughout these notes to the financial statements to identify The Rochelle Center. The Rochelle Center (the "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 have remained unchanged since 2005.

Program Services

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

Developmental Services - To provide meaningful day activities through facility and community based services to adults with severe to profound disabilities.

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.

Production Center - The production center offers work skill development opportunities on a variety of contracts from a diverse set of businesses in the Nashville community. Placement in the work community is designed to advance the skills learned and provide employment for individuals.

Supported Employment - 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.

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:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

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

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 2015 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, 2015, from which it was derived.

See Note 13 for prior period adjustment related to net assets.

Revenue Recognition

We recognize fee income in the period in which services are provided to consumers based on a contractual rate per client per day. The majority of our fee income is from the State of Tennessee. Rates paid to us are determined by the State of Tennessee per client, based on the level of care required.

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, 2016 and 2015, 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. An allowance of \$1,000 has been recorded for each year ended June 30, 2016 and 2015, respectively.

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 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, 2016:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Beneficial interest in agency endowment fund	\$ 8,358	\$ 8,358	\$ -	\$ -	\$ 8,358
Investments	5,819	5,819	5,819	-	-
	<u>\$ 14,177</u>	<u>\$ 14,177</u>	<u>\$ 5,819</u>	<u>\$ -</u>	<u>\$ 8,358</u>

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

Investments (continued)

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, 2016.

There were no transfers between Level 1, Level 2, and Level 3 investments during the year ended June 30, 2016.

A reconciliation of changes in the amounts reported for the assets valued using Level 3 inputs are included in Note 8.

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, 2016, 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.

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. We are not subject to examination by U.S. federal or state taxing authorities for years before 2013.

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.

Advertising

Advertising is expensed as incurred.

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 to the carrying values due to the short maturities of these instruments.

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

NOTE 2 - Accounts Receivable

A summary of the accounts receivable held at June 30, 2016 and 2015, is as follows:

	2016	2015
Production contracts	\$ 86,745	\$ 51,453
Tennessee Department of Intellectual Disabilities Services	288,384	245,130
Residential	4,626	25,092
	<u>379,755</u>	<u>321,675</u>
Less: allowance for bad debts	(1,000)	(1,000)
	<u>\$ 378,755</u>	<u>\$ 320,675</u>

NOTE 3 - 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, 2016 and 2015, the investments in this portfolio had a fair market value of \$5,819 and \$4,521, respectively.

Investments consisted of the following at June 30, 2016 and 2015:

	2016	2015
Equities	\$ 5,453	\$ 4,290
FlexInsured Account	366	-
Money Market Funds	<u>-</u>	<u>231</u>
	<u>\$ 5,819</u>	<u>\$ 4,521</u>

The fair value of the above investments is based on Level 1 inputs, which are values readily obtained by publicly quoted prices. Investment income is comprised of interest of \$0 and a realized loss of \$1,109 at June 30, 2016, and interest income of \$111 and a realized loss of \$137 at June 30, 2015.

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2015

NOTE 4 - Accrued Expenses

At June 30, 2016 and 2015, expenses were accrued for the following:

	<u>2016</u>	<u>2015</u>
Accrued paid time off	\$ 43,039	\$ 40,160
Accrued wages payable	123,235	141,386
Accrued retirement contribution expense	1,032	1,510
Deferred revenue	21,750	27,000
Other accruals	652	-
	<u>\$ 189,708</u>	<u>\$ 210,056</u>

NOTE 5 - Long-term Debt

Long-term debt at June 30, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
First mortgage note payable to U.S. Bank with a maturity of June 2, 2019. Monthly payments of \$329 are required with interest at 4.49%. The note is collateralized by real and personal property with a net book value of \$0.	\$ -	\$ 40,753
First mortgage note payable to U.S. Bank with a maturity of June 2, 2019. Monthly payments of \$1,174 are required with interest at 4.49%. The note is collateralized by real and personal property with a net book value of \$160,117.	137,993	145,588
First mortgage note payable to Regions Bank with a maturity of August 8, 2023. Monthly payments of \$677 are required, including 4.25% interest. The note is collateralized by real property with a net book value of \$89,637.	76,229	82,289
Grant Note payable to THDA with a maturities through August 25, 2021. There are no monthly payments required and is a non-interest bearing note. The Rochelle Center is not required to pay the note back if the properties in the Grant Notes are kept until their maturities.	293,656	383,000
	<u>507,878</u>	<u>651,630</u>
Less: current maturities	<u>(75,220)</u>	<u>(14,462)</u>
	<u>\$ 432,658</u>	<u>\$ 637,168</u>

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2015

NOTE 5 - Long-term Debt (continued)

The following is a schedule of future maturities:

<u>Year Ended June 30,</u>	
2017	\$ 75,220
2018	13,498
2019	127,067
2020	5,615
2021	5,858
Thereafter	280,620
	<u>\$ 507,878</u>

NOTE 6 - Unrestricted Net Assets – Board Designated

At June 30, 2016 and 2015, the Board of Directors has designated \$322,000 in net assets and cash to be used for future building and equipment purchases and repairs.

NOTE 7 - Temporarily Restricted Net Assets

Also at June 30, 2016 and 2015, we held assets whose use was temporarily restricted by donors or grantors as follows:

	<u>2016</u>	<u>2015</u>
Music Therapy Program	11,327	21,370
Purchase of Van	-	30,000
Purchase of Phone System	-	9,400
Production Center	-	21,555
Sensory Garden	-	592
First Aid/CPR	2,990	-
New Server	9,195	-
	<u>\$ 23,512</u>	<u>\$ 82,917</u>

NOTE 8 – 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, 2016 and 2015, was \$8,358 and \$8,540, respectively.

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2015

NOTE 8 – Community Foundation Endowment (continued)

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

Balance at July 1, 2015	\$ 8,540
Contributions	\$ -
Interest income	121
Realized loss	(24)
Unrealized loss	(221)
Administrative fees	(28)
Investment fees	(30)
	<hr/>
Balance at June 30, 2016	\$ 8,358

NOTE 9 - 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 two operating leases with monthly payments of \$542 and \$108. These leases expire in November 2016 and September 2017, respectively. Total rent expense for the years ended June 30, 2016 and 2015, was \$9,260 and \$10,276, respectively.

NOTE 9 - Lease Agreement (continued)

Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	
2017	\$ 4,008
2018	324
	<hr/>
	\$ 4,332

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, 2016 and 2015, revenue received from governmental agencies was 73% and 74% of total revenue, respectively. At June 30, 2016 and 2015, there was a concentration of 76% and 76% 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, 2016 and 2015, we owed two vendors 34% and 32% of our total accounts payable, respectively.

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2015

NOTE 11 - 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, 2016 and 2015, we did not make discretionary employer matches for the Plan. There were no expenses for the Plan during the years ended June 30, 2016 and 2015.

NOTE 12 - Production Center

As determined by the Home and Community Based Services (HCBS) Waiver all agencies funded by the Department of Intellectual and Developmental Disabilities (DIDD) will transition to Prevocational/Employment or Community Based Day from Facility Based Service on or before March 17, 2019. Information has been sent home to stakeholders regarding the changes required to meet the new standards. As a result of the new waiver, all paid prevocational work activities at Rochelle Center will end on or before December 31, 2016 for those funded by the HCBS/DIDD. Rochelle Center will work with other vulnerable populations that will benefit from work hardening skills as services transition away from the traditional work environment for those funded by HCBS/DIDD. Rochelle Center will continue to provide meaningful Community Based Day opportunities and Prevocational/Employment Services as well as Residential Supported Living Services for those who have chosen the Center as a service provider under the HCBS/DIDD Licensure.

THE ROCHELLE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2015

NOTE 13 – Prior Period Adjustment

A prior period adjustment at the beginning of the fiscal year was made to correct errors in previously reported long-term debt, unrestricted net assets and temporarily restricted net assets. The previously issued financial statements have been restated to correct classification of THDA grant note.

The following details the effect on each major financial statement line item:

	June 30, 2015		
	As previously reported	Prior Period Adjustment	Restated
Current Liabilities			
Current installments of long-term debt	\$ 14,462	\$ -	\$ 14,462
Accounts payable	32,215	-	32,215
Accrued expenses	210,056	-	210,056
Total current liabilities	256,733	-	256,733
Long-term debt, net of current installments	254,168	383,000	637,168
Total Liabilities	510,901	383,000	893,901
Net Assets:			
Unrestricted:			
Undesignated	1,443,404	(229,797)	1,213,607
Board-designated	322,000	-	322,000
Total unrestricted net assets	1,765,404	(229,797)	1,535,607
Temporarily restricted	236,120	(153,203)	82,917
Permanently restricted	8,540	-	8,540
Total restricted net assets	244,660	(153,203)	91,457
Total net assets	2,010,064	(383,000)	1,627,064
Total liabilities and net assets	\$ 2,520,965	\$ -	\$ 2,520,965

NOTE 14 - Subsequent Events

We have evaluated events subsequent to the year ended June 30, 2016. As of November 22, 2016, the date that the financial statements were available to be issued. We are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.